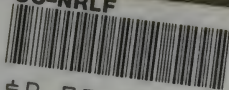


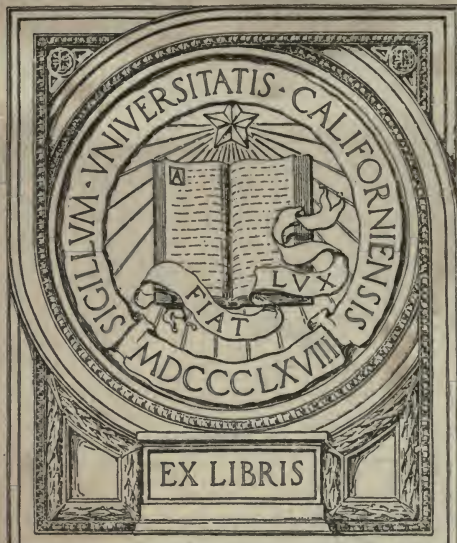
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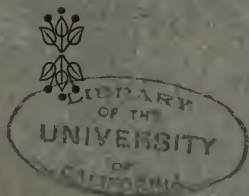
Government Policy in Aid of American Shipbuilding

An Historical Study of the Legislation
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to the Present

A Thesis presented to the Faculty of the Graduate School of the University
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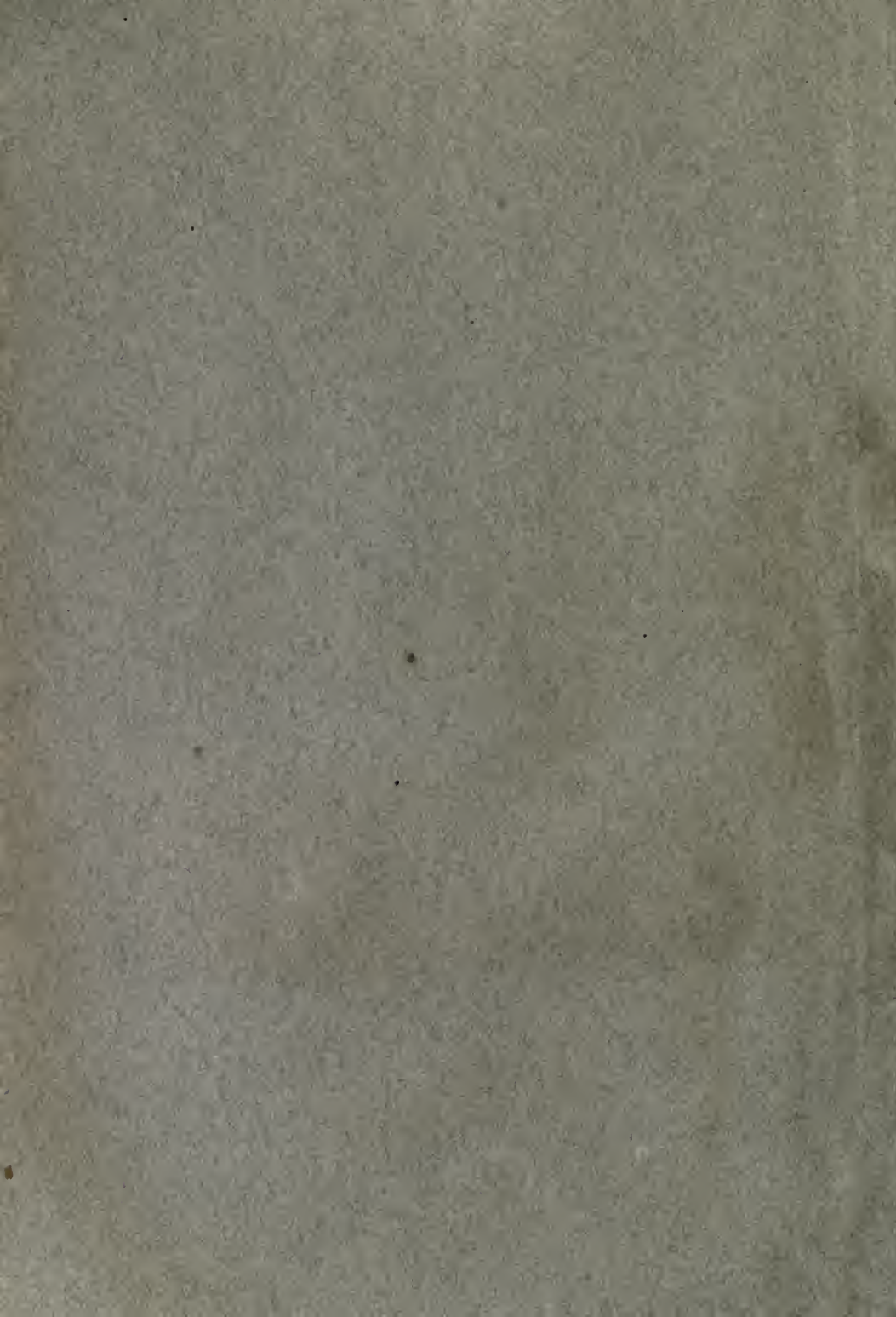
BY

WARREN D. RENNINGER



PHILADELPHIA

1911



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INTRODUCTION

Shipbuilding is one of the oldest industries of the United States. From earliest times it was one of those fundamental industries that formed the economic basis for the growth of the country; and the industry continued to be one of the most important in the United States down to the Civil War. Since then shipbuilding has not enjoyed a proper share of the general progress and prosperity of American industries, and the United States has not been able to build ships as cheaply as they can be built in some of the European countries.

The loss of our prestige as shipbuilders has been a matter of chagrin to all patriotic citizens and a special grievance to those engaged in shipbuilding and navigation. Therefore, citizens interested in our national welfare, have united with shipbuilders and shipowners in imploring the aid of the government to restore the industry to the high place which it occupied before the Civil War. Shipowners have been demanding "free ships," i.e., the privilege of buying vessels in foreign countries where they could be bought cheapest and have them admitted to American registry. Shipbuilders have vigorously opposed this demand and have insisted on their right to share in the "protection" given American industries and have sought further relief in bounties and subsidies. Patriotic citizens have generally supported the shipbuilders in opposing the admission of foreign-built vessels to American registry. They have insisted that shipbuilding should be protected in order that this country might maintain its commercial and naval prestige.

The special interest of the government in shipbuilding is the maintenance of a sufficient naval power. This requires well equipped shipyards and skillful shipbuilders, but it requires also a successful merchant marine and men accustomed to maritime life. The government is also interested in our commercial advancement. To be commercially independent we must build our own ships. For such reasons, the most enterprising countries of the world have extended government aid and protection to shipbuilding.

In view of these facts, it may be of interest to know what has been the policy of the government in dealing with American ship-

building. To learn the general history of this policy is the purpose of this study. The chief difficulty encountered in tracing this history lies in the fact that most of the legislation affecting shipbuilding has dealt primarily with commercial policy or with navigation and only indirectly affected shipbuilding. Within the limits of this brief account, no place can be given to the history of the general commercial legislation, nor even to the legislation dealing with shipping which affected shipbuilding only very indirectly by increasing the demand for vessels which grew out of increased trade and navigation. It has, therefore, not been possible to explain fully the economic and political conditions that gave rise to the various features of the policy adopted by the government. This monograph deals only with the main features of the legislation that has most affected the shipbuilding industry. It is a general survey from earliest colonial times down to the present. Proposed legislation which failed to become law is almost entirely omitted as are also the controversies in Congress and throughout the country which raged over questions arising out of the interest of the government in shipbuilding.

PART I. POLICY BEFORE 1789

THE EARLIEST AIDS

The beginnings of American shipbuilding are not founded in legislation but in the environment of the early settlers. New England was the cradle of our maritime industries. Here, the poverty of the soil and the wealth of the sea made the early settlers a maritime people—fishermen, shipbuilders, sailors and traders. Fishing became at once an important source of food and soon developed into a regular industry of fundamental importance. Along with it grew the shipbuilding industry. As early as 1624, the industry began to be carried on regularly at Plymouth, some shipcarpenters having been brought from England for the purpose. In the same year some persons of Dorchester, England, sent over fishermen and made the necessary provisions for a fishery at Cape Ann.¹

In 1629, a year before the settlement of Boston, six shipwrights were sent to the Massachusetts Bay Colony. They were to be main-

¹ Hutchinson's *History of Massachusetts Bay Colony*, i, 7.

tained at public cost, two-thirds to be paid by the general company and the other third by Governor Craddock and his associates interested in a private stock. The same year a supply of materials for building and equipping ships including pitch, tar, rosin, oakum, old ropes for oakum, cordage, sail-cloth, and nails were sent over from England for the use of the shipwrights. It was also ordered that a storehouse should be provided for the materials and the tools of the shipbuilders.² When this colony was in the straits of its first years, Governor Winthrop found it necessary to build the *Blessing of the Bay* to import corn from the southern Indians.³

The colonial legislatures found occasion to encourage shipbuilding almost from the beginning. In the ninth year after the settlement of Boston an act of the Massachusetts Bay Colony excused all those engaged in shipbuilding from military training. This act also gave indirect aid to shipbuilding by exempting from taxation all property and men employed in fishing.⁴ Two years later this colony passed a law providing for the inspection of all ships above thirty tons built within the colony. Under this act shipbuilders were required to perform their work "according to the rules of their art" and the inspectors bound under oath, were empowered "to cause any bad timber or other insufficient work or materials to be taken out and amended at the charge of them through whose fault it grows."⁵ These laws were re-enacted from time to time and were in force in the early part of the eighteenth century if not throughout the century.

It was of great advantage to the growth of American shipping and shipbuilding, that from the beginning foreign ships were more or less excluded from the British colonial trade. At first this was accomplished by charter provisions, royal proclamations and instructions to governors, later by the "navigation acts."⁶ Under the earlier navigation act colonial trade was restricted to English ships. But

² *Records of Massachusetts*, i, 394, 402.

³ Hutchinson's *History of Massachusetts Bay Colony*, i, 91.

⁴ Hutchinson's *History of Massachusetts Bay Colony*, i, 91; *Records of Massachusetts*, i, 258.

⁵ *General Laws and Liberties of the Massachusetts Colony*, Revised and Reprinted by order of the General Court holden at Boston, May 15, 1672, p. 138.

⁶ For a complete study of British policy before 1660 see Beer, *Origin of the British Colonial System*, 1578 to 1660.

the act of 1660⁷ required that all trade between England and her colonies, as well as all intercolonial trade, had to be carried in English-built ships which were owned and manned by English or colonial merchants and seamen. Some question arose as to the definition of English-built ships so this was more exactly explained in the navigation act of 1662⁸ to mean only those lawfully registered on October 1, 1662 and those built in England or in the English colonies. All others were excluded from the privileges of English ships.

The act of 1660 also required that certain "enumerated articles" including sugar, tobacco and dye-woods produced in the colonies should be sent only to English dominions. Later modifications increased the list of "enumerated articles" and for the benefit of English merchants, in 1663, England was made a "Staple" for European goods which were to be sent to the colonies.⁹ In 1706, naval stores, tar, pitch, turpentine, hemp, masts, and yards were added to the list of "enumerated articles." The increasing number of "enumerated articles" which the colonies could export only through England and the requirement that commodities produced in Europe could be imported to the colonies only from England practically excluded foreign ships from all the important colonial trade. The "navigation acts" thus made it illegal for foreign-built ships to get any considerable share of the trade with the American colonies. Colonial shipbuilders profited under this protection not only to the extent of the American demand but they built so many ships for owners in the mother country that more than one protest was made by British shipbuilders to their government.¹⁰

This early protection and encouragement was successful in establishing shipbuilding in the northern colonies. By 1700 Boston had 194 vessels registered including 25 ships between 100 tons and 300 tons and 39 ships under 100 tons. The remainder comprised 50 brigantines, 13 ketches and 67 sloops. New York, where ship-

⁷ 12 Car. II, ch. 18, Statutes of the Realm, v, 246-250.

⁸ 14 Car. II, ch. 11, Statutes of the Realm, v, 394-395.

⁹ 15 Car. II, ch. 7, Statutes of the Realm v, 449-552.

¹⁰ For the most complete and most scholarly study of the British Colonial Policy see the books of George Louis Beer, *Commercial Policy of England towards the American Colonies*, in Columbia University Political Science Studies; *British Colonial Policy, 1754 to 1765; Origins of the British Colonial System 1578 to 1660*.

building began in 1614¹¹ and was encouraged by concessions from the Dutch West India Company,¹² had 124 vessels, 6 of which were over 100 tons. New Hampshire had 24 vessels.¹³ Each of these colonies built practically all of its own ships.¹⁴

INDUCEMENTS FOR SHIPBUILDING

The Failure of Bounties. Protected under the British "navigation acts," shipbuilding did not need much help from the colonial legislatures. However, in several of the colonies, the industry did not flourish. These colonies, ambitious to supply their own shipping, offered special inducements to shipbuilders. Thus, Virginia in 1662, granted a bounty of fifty pounds of tobacco per ton to anyone who would build a seagoing vessel in the colony. Later in the year, the assembly increased the bounty offered by allowing fifty pounds of tobacco per ton as before if the ship was not less than twenty tons nor more than fifty, but if the ship was between fifty and a hundred tons then the bounty was to be a hundred pounds per ton, and two hundred pounds per ton if the ship exceeded a hundred tons. It was also provided that a vessel so built could not be sold out of the colony within three years.¹⁵ These bounties produced very slight results, although thirteen hundred pounds of tobacco were paid for the construction of one small ship.¹⁶ In 1666, the assembly withdrew all these bounties.

The general failure of shipbuilding in Virginia is reflected in a report of the governor made about this time to the lords commissioners of foreign plantations. He said about eight ships a year came to Virginia from England and Ireland and a few New England ketches, but Virginia had never had more than two ships and these were not more than twenty tons in size. He blamed the restrictions of the navigation acts for this and declared that shipbuilding flourished in New England only because the shipowners there violated the laws.¹⁷

¹¹ *Documents of the Colonial History of New York*, i, 12.

¹² *Documents of the Colonial History of New York*, i, 401.

¹³ *Documents of the Colonial History of New York*, iv, 790.

¹⁴ *Documents of Colonial History of New York*, iii 263.

¹⁵ Hening, ii, 122, 178.

¹⁶ Hening, ii, 204.

¹⁷ Hening, ii, 515, 516.

In New York bounties were also proposed about 1739, but never enacted.¹⁸ In 1751 South Carolina appropriated one-fifth of the revenue yielded by a certain impost as a bounty for building ships in the province and offered inducements to shipwrights and calkers to settle there.¹⁹ Like the bounties offered a century earlier by Virginia this too proved ineffective and was soon repealed.

Discriminating Import Duties. A much more common method by which the colonial legislatures aided their maritime industries was by means of discriminating duties on imports and on the tonnage of ships entering their ports. The primary object of all these duties was to obtain revenue, but they were generally so arranged as to favor the shipping owned by inhabitants of the legislating colony by charging them lower duties or exempting them entirely. Indirectly this benefited the shipbuilders within the colony by increasing the demand for ships.²⁰

More direct aid was given to shipbuilding by the less common practice of discriminating in favor of ships built within the colony. An early instance of this is a law enacted by the Virginia Assembly in 1691 which admitted foreign wines and spirits imported in ships owned by Virginians upon payment of half the regular duties and if the ships were built in Virginia the goods were to be imported free of duty. This discrimination in favor of Virginia-built ships was continued in force only three years.²¹

Maryland also favored her own shipbuilders in the act of 1699 which provided that rum and wine imported in ships built in the province and solely belonging to the inhabitants thereof should be exempted from the usual import duty of 3d. per gallon. A similar discrimination is also embodied in the act of 1715 which imposed an import duty on negroes, liquors, and Irish servants imported, but the exemption was also extended to ships built in England or the plantations when owned entirely by inhabitants of Maryland.²²

South Carolina also discriminated in favor of her own ships by providing, in 1703, that vessels built and owned in the colony should

¹⁸ Giesecke, *American Commercial Legislation before 1789*, pp. 71, 90, 93.

¹⁹ Cooper, *Statutes*, iii, 742; iv, 10.

²⁰ For Study of the commercial policy of the colonial governments see Giesecke, *American Commercial Legislation before 1789*.

²¹ Hening, iii, 88, 129.

²² *Laws of Maryland at Large*, collected by Thomas Bacon, 1765.

pay one-half of the regular import and export duties while those built elsewhere but owned by inhabitants of the colony should pay two-thirds of the regular duties. This act provided a comprehensive list of import and export duties. The discriminating feature was repealed the following year when there was passed "an Act to make all Goods Imported and Exported in any Vessels belonging to the Port, to pay the same duties as if Imported in Vessels not belonging to the same, to encourage Navigation."²³ In 1716 South Carolina again tried to encourage shipbuilding in that province by discriminating duties. This act provided that all liquors, goods, negroes, wares and merchandise imported in any vessel wholly owned and built in the province should be admitted free. Goods shipped in vessels built but not owned in the province were required to pay three-fourths of the regular duties. This act was repealed on March 20, 1719, after the lords proprietors had nullified it the preceding month because, as they declared, it was against the interests of the mother country. English merchants had entered protests against the act because it discriminated against English ships. To overcome these objections, essentially the same discrimination was framed somewhat differently in the repealing act. This exempted goods imported in ships built and owned in the province from all duties while those imported in ships built but not owned in the province were liable for half the duties; and it required full duties of those brought in vessels that were both built and owned outside the province. The proprietors refused their assent to this, but it remained in operation until the act of 1721 required half duties on imports of ships built and owned in South Carolina and three-fourths duties when the vessels were built but not owned or owned but not built in the province.²⁴ Pennsylvania also favored her shipbuilders in 1723 by providing that molasses imported in ships built in the province should be exempted from the regular duty. This was, however, repealed the same year.²⁵

Discriminating Tonnage Duties. Similar discriminations were made in the imposition of tonnage duties. The purpose of these duties was to raise revenue, generally for harbor defense and improvements to aid navigation. The tax was often levied in gun

²³ Cooper, *Statutes*, ii. 200, 235.

²⁴ Cooper, *Statutes*, iii, 32, 67, 169.

²⁵ *Pennsylvania Statutes at Large*, iii, 363, 416.

powder; hence was generally spoken of as "powder tax" or "powder money." With a purpose of raising as much revenue as possible and yet of hampering trade and navigation as little as possible, the home shipping of the colony was often favored or exempted entirely.

Sometimes the discrimination was arranged with a view of aiding shipbuilding in the colony. Thus, South Carolina in 1698 imposed a tax of half a pound of gunpowder per ton on every ship entering. It was provided, however, that ships built and owned in the province should not be required to pay this tax and ships built in the province and whose owners are not inhabitants of the province should pay half duties. This act was to continue in force two years.²⁶ Some of the later powder duties were levied with similar discrimination as in 1741.²⁷ Maryland, in 1704, levied a tonnage duty of 3d. per ton on all vessels trading to that colony excepting those built in the province and wholly owned by inhabitants thereof. In 1715 the tonnage duty was revised so as to exempt from this tax all ships owned in the province.

New York, in 1714, exempted vessels built or wholly owned in that province from the tax then imposed upon shipping. In the re-enactment of the law in 1716, English vessels were not included in the exemption until the Board of Trade protested. The act was then modified so as to exempt the English vessels and those built and owned in the province, but not those merely owned by inhabitants of New York. This discrimination in favor of New York shipbuilding had little effect. The act expired in 1720 and the discrimination was not continued after that.

In 1734 New York revived the tonnage duty with discriminating features. The reasons given were that the shipping in the colony had decreased to such a degree that their carrying was done almost entirely in vessels of other ports, that, "in most of all the other British colonies a greater duty is imposed on vessels not belonging to themselves than those belonging to their own inhabitants, though under the name of 'powder money' or some other denomination" and that it would benefit the inhabitants in general and the shipwrights in particular. The act imposed a tax of 3s. a ton on ships entering, but exempted all vessels built in the colony, all vessels owned by inhabitants and (in order to avoid the objections of the home govern-

²⁶ Cooper, ii, 151.

²⁷ Cooper, iii, 588.

ment) all vessels owned by inhabitants of Great Britain. Coasting vessels were also exempted. Unlike most tonnage taxes, this had for its primary object aid to shipping and shipbuilding. The revenue was to be used for harbor defense.²⁸

The discrimination against British ships by the colonial legislatures brought protests from the English merchants. Chalmers²⁹ tells of such a protest made in 1716 to the Board of Trade. This protest declares that "in Carolina and in Pennsylvania, wines of Madeira pay in the first double, and in the last more than if they belonged to the livers in both; and the like impositions are laid upon vessels that are not built in those places, to encourage their own; the British traders are treated as aliens in their own colonies; a duty is likewise laid upon English manufactures, to promote their own. Now the proprietors, by ratifying such acts of Assembly, thereby forfeit their charters; else they may be truly termed independent of the crown and laws of Great Britain, as is often assented in those assemblies." The Board of Trade gave attention to the matter and in September a royal order was transmitted to the governors "to pass no laws which may effect the trade of this kingdom, unless their operation is suspended till the royal assent is obtained."³⁰

In spite of this order discriminating duties were continued by the colonial governments. Some of these acts were put in force after they had been disapproved. In August of 1731 a petition of London merchants was sent to the Board of Trade setting forth that in several of the colonies higher duties were laid on goods and ships belonging to the petitioners and other persons residing in England than were laid on the goods and ships of the colonists, and praying for relief from this injustice. The Board of Trade was then directed (February, 1732) to send instructions to the governors of the colonies in America to the effect, "that the Governor should be forbid upon pain of His Majesty's displeasure to give their assent for the future to any laws wherein the Natives or Inhabitants of the respective colonies under their Government are put on a more advantageous footing than those of Great Britain; and that the said Governors should

²⁸ *Laws of New York from 1691 to 1751 inclusive*, published 1752, pp. 221-222.

²⁹ *History of the Revolt of the American Colonies*, ii, 6.

³⁰ For further account of British opposition to discriminating duties see Giesecke, *American Commercial Legislation before 1789*, pp. 27-31.

be directed to pay due Obedience to his Majesty's Royal Instructions whereby he hath been graciously pleased to forbid them to pass any Laws by which the trade or navigation of this Kingdom may be any ways affected."³¹

These royal orders, and the repeated refusal of the crown to approve of the acts which discriminated against British vessels finally caused the colonial legislators to exempt British ships whenever they exempted those of the colony. As among the colonies, the discrimination was also of little effect; because generally they exempted their immediate neighbors or else they exempted those which would reciprocate the favor.

AIDS TO PRODUCTION AND CONSERVATION OF SHIPBUILDING MATERIALS

There was plenty of excellent shipbuilding timber in the colonies, but other materials used in building and equipping ships such as hemp, tar, pitch, iron, etc. had to be produced. Hemp received special attention from the colonial legislatures. Maryland offered bounties for raising hemp in 1671, and Virginia under the act of 1673, distributed seeds to encourage the raising of hemp and flax. In 1682 her legislators passed an act offering a bounty for the production of flax seed and hemp.³²

It was not until the eighteenth century that this policy became general throughout the colonies, and then largely in response to the bounties offered by England on naval supplies imported from the colonies. England adopted this policy in Queen Anne's reign when the Swedish Tar Company refused to let England have any pitch or tar except at its own prices and required that these commodities should be carried to England in Swedish ships only. English shipbuilding had long been dependent on Denmark, Norway, Sweden and Russia for its material. These countries exported to England timber, tar, pitch, hemp and iron. From Russia came hemp and flax to the value of a million pounds a year.³³

These imports piled up a very great balance of trade against England from year to year which was paid in money. It is easy to

³¹ *Acts of the Privy Council*, Colonial Series, 1720-1745, No. 247.

³² Hening, ii, 306, 504.

³³ For a more complete account see Beer, *The Commercial Policy of England*, p. 91.

see with what displeasure the Merchantilists of that day would view this unfavorable balance of trade. There were also sound reasons why the navy of England should not have to depend upon these nations for supplies. Besides these reasons there was a general desire to establish industries in the North American colonies which would enable the colonists to buy English goods and which would keep the colonists from developing manufactures which would compete with those of England.

Under the influence of these general feelings and the action of the Swedish Tar Company, Parliament passed the first of the series of acts granting bounties on naval stores imported from the British colonies in America.³⁴ This act granted a bounty of £6 per ton on hemp, £4 on tar and pitch and £3 per ton on rosin and turpentine imported from the British colonies. Later it was provided that the queen could appropriate £10,000 for the employment of skillful persons and for the purchase of utensils to carry out the policy of colonial production of naval stores. The production of hemp received further encouragement in 1721, when it was provided that it should be exempted from the import duty in England. By another act³⁵ the drawback on hemp exported from England was taken away. This was an indirect way of aiding the production of hemp in the colonies since it raised the price on all imported from England.

These bounties offered by England on imported naval supplies, met with an immediate response in the colonies where the legislatures now offered bounties for the production or the exportation of these materials. The British bounties seem to have been sufficient to develop an adequate production of tar, pitch, rosin, and turpentine, but hemp and flax required additional aid from the colonial legislatures. All the colonies offered bounties on these sometime in the eighteenth century and most of them continued the payments throughout the century. Maryland passed such an act in 1706³⁶ which declares that it is in response to the act of three and four Anne, that hemp is made a staple in this province at 6d. per pound so that when tendered in payment of debts at these rates it shall be good in law.

Massachusetts had offered bounties a few years before the en-

³⁴ 3 and 4 Anne C. 10; 12 Anne Stat. I C. 12; 8 George I C. 12, Sec. 1; 16 George II C. 26; 24 George II C. 57; 31 George II C. 35.

³⁵ 4 George II C. 27, Sec. 8.

³⁶ 1706 Ch. 11 Sec. 2; 1724 Ch. 22 Sec. 2.

actment of the British bounties and provided penalties of double the value of the hemp for rope-makers who worked up inferior hemp for cables and rigging. In 1708 a bounty of 9s. 4d. was offered for every hundred and twelve pounds of well-cured, water-rotted hemp produced in the province. At the expiration of this act after ten years, the bounty was doubled and continued for another ten years. Before this act expired there was offered in 1725 an additional bounty of 4s. 8d. per hundredweight to any one person who produced in the same year two hundred twenty-four pounds. This was to continue for five years. In 1730 the bounties were increased to 29s. per hundredweight and 7s. additional were to be paid to any person who raised more than two hundred and twenty-four pounds in a single year.³⁷ Massachusetts also offered bounties for the raising of flax and the production of canvas or duck for sails.³⁸

New Hampshire, in 1707, also responded to the bounties offered by the statutes of three and four Anne³⁹ by encouraging the inhabitants to make tar for export to England. Tar was to be accepted at the treasury as payment for any taxes at the rate of 25s. per barrel and later in 1719, offered a bounty of 12d. a pound on hemp raised in the province.⁴⁰ A bounty on tar was also authorized by an act passed by the Virginia assembly in 1722.

The other colonies offered similar bounties for the production of hemp although they were not quite so common in the second half of the eighteenth century as in the first half. The acts generally required that the hemp be merchantable, well-cured, water-rotted, cleaned and suitable for making good cordage. Inspectors were authorized to see that only such hemp received the bounty and in some cases they were authorized to prevent hemp of a poor quality from being manufactured into ropes or cables for ships. The act of the Pennsylvania assembly, passed in 1730,⁴¹ providing for stricter inspection, authorized the inspectors to search warehouses and ropewalks for

³⁷ *Acts and Laws of Her Majesty's Province of the Massachusetts Bay in New England, 1692 to 1726*, pp. 171, 265, 302, 417; *Acts and Laws of Massachusetts Bay 1692 to 1742*, p. 449.

³⁸ *Acts and Laws of Massachusetts Bay Colony, 1692 to 1742*, pp. 297, 408, 528.

³⁹ C. 10.

⁴⁰ *Acts and Laws of New Hampshire, 1696 to 1771*, pp. 32, 146.

⁴¹ *Statutes at Large*, iv, 185 to 188.

inferior hemp. If any unsound hemp was found being manufactured into rope, hawsers or any form of ship cordage, the officer was to seize the hemp which was to be forfeited, and every rope manufacturer was required to take an oath not to work up bad hemp.⁴² The general supervision by the government of the products of industry, especially of those to be exported, aided in the production of a good quality of tar, pitch, turpentine, rosin, etc.⁴³

Government inspection and supervision was also sometimes extended to shipbuilding itself as we already have seen in the Massachusetts act of 1641. Early in the eighteenth century, Connecticut passed a similar law. This required every ship to be built under the supervision of inspectors "who are to take care that all the material be Sound, Sufficient and Suitable for the Occasion; and that the work be done and performed Strong, Substantial and according to the Rules of the Shipwrights Art."⁴⁴

Some of the colonies also tried to procure a supply of naval stores and shipbuilding materials by exempting them from import duties. For example Pennsylvania exempted pitch and tar from the general duty of 3 per cent imposed on imports by the act of 1723.⁴⁵ Connecticut thus exempted lumber from a general import duty of 5 per cent in 1768. Hemp was practically always exempted in all the colonies when a general impost was made.

Export duties were also used to reserve the supply of shipbuilding materials in those colonies which felt a shortage. Connecticut thus placed a duty on the exportation of lumber in 1673 at the rate of 10s. on every ton of ship timber and 3s. per hundred feet on two-inch planks and other sizes in proportion when shipped to the neighboring colonies.⁴⁶ This was continued from time to time and in 1747 a duty on all kinds of ship timber was doubled to 20s. per ton when exported to Massachusetts, New York, Rhode Island or New Hampshire.

⁴² *Pa.* Acts dealing with bounty on hemp 1722 to 1732, see Statutes at Large, iii, p. 314, 415; iv, 30, 68, 185, 231.

⁴³ For examples of such inspection acts see South Carolina act of 1746, Virginia act of 1748 and North Carolina act of 1746,

⁴⁴ *Acts and Laws of His Majesty's English Colony of Connecticut*, printed 1769, p. 224.

⁴⁵ Statutes at Large, iii, 362, 366.

⁴⁶ *Acts and Laws of Connecticut in New England in America, 1769*, p. 238.

New Jersey also found it necessary to protect a limited supply of ship timber. This was done by imposing an export duty as early as 1713. The act of 1743 placed a duty of 6d. per solid foot on all lumber and logs used for shipbuilding, on masts 1s. per square foot, and on planks and boards 1d. per square foot.

Some steps were also taken by the British government for the conservation of ship timber and the supply of naval stores. A charter granted by William and Mary to Massachusetts in 1691 contained a provision which made it unlawful to cut pine trees not on private land which were twenty-four inches in diameter, twelve inches above the ground without a license. The primary object of this was to reserve them for the royal navy. Later acts of Parliament embodied essentially the same restrictions for all the colonies north of Pennsylvania.⁴⁷ Another act imposed a penalty of £15 for felling pitch, pine or tar trees under a certain size. This statute also authorized a bounty of £1 a ton on masts imported into England.⁴⁸ This British policy of protecting and developing a timber supply in America had little practical result either in supplying the royal navy or in aiding American shipbuilding.

It did cause some colonial legislation along the same lines. New Hampshire passed an act to preserve pitch pine trees for drawing turpentine in 1719. The preamble to this act declares that great quantities of pitch pine trees are said to have been killed by being cut and boxed on two or three sides at the same time. A penalty of £5 current money is imposed for making more than one box on a tree.⁴⁹ A few of the other colonies passed similar laws.

LEGISLATION BY THE STATES 1776 TO 1789

During these thirteen years there was very little legislation which directly aided shipbuilding. But a knowledge of the change in the general commercial policy in this transition period is essential to a correct understanding of the attitude of the first Congress under the Constitution. During the war the commercial and maritime activities of the Americans were practically suspended. Every state

⁴⁷ 9 Anne C. 17, 8 George I, C. 12.

⁴⁸ 3 and 4 Anne C. 10.

⁴⁹ *Acts and Laws of His Majesty's Province of New Hampshire*, printed by order of the Governor, Council and Assembly, authorized Act 16, 1759, p. 131.

prohibited trade with Great Britain under penalty of forfeiture of goods and some states added even more severe penalties. This legislation prohibited what had been by far the most important part of American commerce. Such shipping as our merchants might have carried on with other countries was made extremely hazardous by the British war-ships and privateers. Hence shipbuilding was at a standstill during the war.

After the cessation of hostilities, the first impulse was to adopt a *laissez faire* policy. This was due, in part, to the spirit of the time, when liberty was the watchword. French Revolutionary philosophy, the free trade doctrines of Quesney and Adam Smith, and the achievement of political liberty all contributed to this spirit. But, more particularly, the experience of the Americans under the obnoxious restrictions of the navigation acts had caused among them a feeling against all trade restrictions and regulations. Consequently, the states gave no protection to any American industries whatever. British goods poured into the country in such a flood as to destroy the American industries which had sprung up during the Revolution and clogged the markets so that the country was in a panic by 1785.⁵⁰

The treaty of peace said nothing about the commercial relations which were to obtain between the two countries. The British navigation acts were still in force and would now operate against the United States as a foreign country. In the same year that peace was made, Pitt proposed to grant open trade as to articles which were the produce of both countries; but this measure failed.⁵¹ A temporary act was then passed vesting in the crown the power of regulating trade with America. This was occasionally exercised by suspending certain provisions under annual proclamations. But on the whole American ships and traders were treated as foreigners and consequently excluded from the West Indies trade. This was a point of vital importance. The sale of lumber, fish and other food-stuffs furnished the Americans with their means to buy the manufactures of Europe, particularly in England. The British were so anxious to prevent the Americans from carrying on trade, that they failed to see how this would affect their American market and inflict injury on the

⁵⁰ For a fuller account of the general commercial policy of this period see Hill, *The First Stages of the Tariff Policy of the United States*, in the Publications of the American Economic Association, viii, no. 6, 1893.

⁵¹ Cobbett's *Parliamentary History of England*, xxiii, 640, 724, 762.

English capitalists. In the terrible sufferings in the West Indies, fifteen thousand slaves are said to have perished from starvation between 1780 and 1787.

The royal proclamation of July 1783 excluded American ships from the West Indies trade. This gave rise to the first attempts at retaliation. The American statesmen who had advocated the *laissez faire* doctrines a few years earlier now all declared in favor of retaliation, expressing their regrets that England clung to the restrictive policy. Newspapers, town-meetings, associations of merchants and tradesmen and legislative bodies all declared in favor of retaliation. This spirit of retaliation, the need for revenue, and the panic of 1785 caused the states to pass import duty acts which contained an increasing amount of protection to American industries, including shipping and shipbuilding.

New Hampshire by the act of 1785 ordered that the duty on goods imported in foreign owned vessels should be double that on goods imported in vessels owned by citizens of the United States. An additional duty of 6d. per bushel was also imposed upon salt imported in vessels owned by English subjects. The act of the next year, 1786, put a duty of 3d. per barrel and $2\frac{1}{2}$ per cent, ad valorem on pitch, tar and turpentine. Premiums and exemptions from taxation were also offered to encourage the making of duck and sail-cloth.

Massachusetts, under the necessity of raising revenue was compelled to impose duties on imports in 1782 but the preamble makes apologies by declaring that "all restrictions upon trade have been found to be highly injurious to those countries which derive a great part of their wealth and strength from commerce." But the experience of the country with England between 1783 and 1785 caused the legislators to change their views on trade regulation. The preamble to the act of 1785 imposing duties on exports declared in favor of the principle of protection to American industries and the tariff act of 1786 carries out the principle more fully. This protection is extended to shipping in 1787 when a tonnage duty of $2\frac{1}{2}$ d. per ton is imposed on vessels except fishing and coasting vessels which pay only 5s. per year. A duty of 1s. per ton is put on all vessels not wholly owned by citizens of the United States. Three years before this a tonnage tax was enacted to provide funds for a light-house. All ships belonging to inhabitants of Massachusetts or citizens of the United States were exempted from this tax. All other vessels were

required to pay 4d. per ton. Massachusetts also cared for her supply of ship lumber in this period by passing an act on October 24, 1783, which imposed heavy penalties for cutting white pine on public land without a license.

Rhode Island adopted the policy of protection of home industries in 1785 and passed an act very similar to the Massachusetts act of the same year. They also tried to stimulate the production of wool, hemp, and flax by a bounty of 1d. a pound on good hemp and flax produced in 1787. They assigned as a reason that it was, "To encourage the growth of all raw materials, more especially those that supply clothing to the inhabitants, and duck or cordage for carrying on commerce."⁵²

Connecticut gave her shipping interests a better chance in 1784. She had ordered in 1779 that all vessels were to be set in the tax lists at 15s. per ton. In 1784 it was provided that all vessels of Connecticut engaged four months in the year in European, Asiatic, or African trade were to be exempted from this tax, although not from duties. This act was to continue for six years. Connecticut also maintained a high export duty on lumber in order that she might not, in after years, be destitute of building materials.⁵³ The revenue act of 1785 encouraged the growth of hemp by exempting the land on which it was grown from taxation and further by a tax of 6s. per hundred-weight on all hemp and cordage imported from foreign countries.

New York adopted a tariff schedule in 1784 similar to the one in force in Massachusetts. Cordage was taxed whether made in the United States or in Europe. A little later, it was provided that goods imported into New York in British vessels should pay double the regular duties. In April, 1785, additional duties were laid on cordage, ropes, etc., and the proceeds were to be applied to a bounty on hemp. An attempt was also made to discriminate more effectively against British shipping by providing that "All goods, wares and merchandise other than the produce or manufactures of any of the United States, imported into this State, from the States of Rhode Island, Connecticut, New Jersey and Pennsylvania shall be subject to like duties as are paid by goods imported in British vessels, unless it be proved to the satisfaction of the collector that such goods are

⁵² *Laws of Rhode Island, 1786.* March Sess. 7 and 12.

⁵³ *Acts of Connecticut*, pp. 784-245.

not imported into the United States in British vessels.”⁵⁴ In 1785 New York provided a bounty on hemp when this act expired three years later, the act of March 3, 1788 provided for a bounty of 8s. per hundred-weight. This remained in force till 1792.

New Jersey, also, passed an act in 1788 authorizing a bounty of 9d. per ton for well-dressed flax and 4d. per pound for hemp raised in the state. New Jersey and Delaware made no other important commercial regulations but they did pass acts empowering Congress to lay imposts.

The attitude of the Pennsylvania legislators at this time is expressed in the preamble of an act passed March 7, 1784 to protect shipbuilders. Declaring, “Whereas the business of shipbuilding is a very important branch of commerce in this State and ought to receive all proper encouragement,” they provided that the ship should be liable to the claims of those who furnished materials or labor for building or repairing it. The next year they passed an import duty act which was intended to protect domestic manufactures and commerce. Several earlier unimportant acts had been passed since the war. That of 1782 imposing import duties to be used for the defense of the Delaware River was soon repealed on petition of the merchants of Philadelphia since they were injurious to trade. The general protective tariff passed September 20, 1785⁵⁵ is of unusual importance because, together with the act of 1787, it became a model for the first Federal laws protecting our commerce and navigation under the Constitution. This act imposed considerable duties upon a long list of manufactures among them some produced by the various branches of the shipbuilding industry. Upon ready-made sail, the duty was ten per cent ad valorem; upon all tarred cordage, yarn or fixed rigging, it was 8s. and 4d. for every hundred-weight, and upon white rope, it was 12s. and 6d. To favor the domestic manufacture further, raw hemp and flax were to be free from all import duty. Ship carpenters were protected by a duty of $7\frac{1}{2}$ per cent on all foreign made carpenter’s work, blocks for shipping, and sheaves for ship use. Shipbuilding would also profit by the protection given to the shipping business. This was secured by a tonnage tax of 7s. and 6d. “for every ton for each and every voyage, belonging in whole or in part to any foreign country or state except such as had commercial trea-

⁵⁴ *New York Laws, 1777 to 1784.*

⁵⁵ *Pennsylvania Laws*, p. 669.

ties with the Honorable Congress of the United States." This, however, was repealed in April 1786 because injurious to Pennsylvania trade until other states imposed similar duties. The duty on rum was also framed so as to discriminate against foreign ships. All rum imported in a foreign vessel was to pay 6d. per gallon and to prevent foreign ships from bringing it into the state through another state and then into Pennsylvania, the duty was to apply to all rum imported from another state unless it had been brought to that state in vessels belonging to the United States.

The act of 1785 was amended by an act passed March 15, 1787.⁵⁶ The third section of this act ordered that all goods imported by any foreigner and not consigned to citizens of this state should pay an additional impost of 2 per cent. The ninth section provided for an abatement of 5 per cent on all duties and imposts on goods imported in vessels built in the state and two-thirds of which are the property of citizens of the same. American ships were also favored in the direct trade to the Orient by exempting from duty tea and porcelain brought direct in ships built and owned in the United States. This act continued but lowered the duty on tarred rope and fixed rigging. In 1788 a tonnage tax of 1s. 2d. per ton was imposed upon all vessels owned in whole or in part by persons not citizens of the United States. Those owned by citizens of the United States were required to pay only 7d. per ton.

Maryland in 1783 imposed a tonnage duty of 2s. per ton on shipping, but the registered ton was altered so as to favor her own shipping. But later in the year, in retaliation to the exclusion of American vessels from the West Indies, the duty was made 5s. per ton on British ships, and no register was to be granted to vessels owned in whole or in part by British subjects. In 1785 the tonnage tax was fixed at 6d. per ton on Maryland ships and 1s. per ton on all other ships. In order to enjoy the privileges of Maryland ships, it was required that at least half the vessels be the actual property of citizens of the state. In her customs act of the previous year, 1784, Maryland also favored her own shipping. This act discriminated in both the import and export duties. The avowed purpose of the act⁵⁷ was "to encourage the building of merchant vessels within this state and to navigate them by citizens of this or some other of the United

⁵⁶ *Laws of Pennsylvania, 1785 to 1787*, p. 245.

⁵⁷ *Customs act, 1784, ch. 84, sec. 16.*

States." To attain this end substantial reductions in duties were allowed on all goods imported in vessels built in the state. These reductions amounted to one-third of the duty on exports and from one-eighth to one-half on imports. Vessels entirely owned and navigated by citizens of the state were to receive a reduction twice as great as others.

Virginia passed a discriminating tonnage tax in 1783,⁵⁸ and two years later increased the tax on British vessels to 5s. per ton.⁵⁹ She also increased the duty on goods imported in vessels owned wholly or in part by citizens or subjects of any country not in commercial treaty with the United States.⁶⁰ By another act of 1786⁶¹ foreign vessels were restricted to certain ports but vessels built within the United States and owned by citizens thereof were allowed to land anywhere in the commonwealth.

SUMMARY

Details aside, it appears that shipbuilding was established in New England by government aid and encouraged by the government of the mother country, at first through charter provisions and royal instructions, later by the "navigation acts." All the colonial governments showed a desire to have their own shipbuilding. Bounties paid in those colonies where the industry did not flourish failed to establish it there. The most common method of encouraging shipbuilding was to grant discriminating duties in favor of vessels built in the colony. These discriminations applied to the duties on goods imported in the ship and to the tonnage duties. After the first quarter of the eighteenth century, these duties were of little effect because Great Britain refused to allow such discrimination against her own ships, and the ships of neighboring colonies were either included in the favored class or exempted under reciprocity arrangements. The British "navigation acts," however, protected all the colonial shipbuilding from foreign competition to the end of the colonial period.

The legislation for the conservation and production of shipbuilding materials enacted in practically all the colonies was suc-

⁵⁸ Hening, xi, p. 289.

⁵⁹ Hening, xii, p. 32.

⁶⁰ Hening, xii, p. 290.

⁶¹ Hening, xii, p. 320.

cessful and important. The bounties paid for the production of hemp and flax were the most common features of this legislation. Throughout the colonial period, it was difficult to keep up an adequate supply of these materials for cordage and sails. The constant aid of the colonial governments established their production. The production of tar, pitch and turpentine soon became so well established as not to need any aid from the government. In the establishment of these industries auxiliary to shipbuilding the government aid was of considerable importance.

Another feature of the colonial policy was that of inspection by officials authorized by the colonial legislatures. They passed judgment upon naval stores and hemp. They were authorized to prevent rope-makers from working up inferior material. In several of the most important shipbuilding colonies, the work of the shipwrights was also subject to such inspection as well as the timber they used.

PART II. NATIONAL POLICY SINCE 1789

DISCRIMINATING DUTIES TO AID AMERICAN SHIPBUILDING

The commercial situation in the American states was directly responsible for the creation of the Constitution and the federal government established by it. As soon as the new government was established, it began its work of relief. The shipowners had suffered severely during the Revolution and were most directly affected by the ruinous restrictions of the British after the war. The intimate relation between the prosperity of the merchant marine and the demands upon shipbuilding had caused stagnation in the latter industry. The shipbuilders began to implore Congress for aid as soon as it assembled. As early as April 13, 1789, there was communicated to Congress a petition from the shipwrights of South Carolina⁶² deploring the diminished state of shipbuilding in America, and the ruinous restrictions to which our vessels were subject in foreign ports, and the distressed conditions of our commerce languishing under most disgraceful inequalities, and appealing for immediate protection and relief.

A few weeks later there came from the shipwrights in Baltimore a petition⁶³ in which they express their desire to unite with their bretheren of Charleston in bringing this matter before Congress. The memorial from the mechanics and manufacturers of New York laments the failure of the system of natural liberty.⁶⁴ The communication from Boston⁶⁵ speaks for the manufacturers and merchants as well as for the shipbuilders. It complains of "the great decrease of American manufactures and the almost total stagnation of American shipbuilding," and continues thus: "Your petitioners beg leave to inform Congress, that, previous to the war, upwards of sixty vessels, from one hundred and fifty to three hundred tons, have been built, in the town of Boston, in the course of one year; and provided such restrictions were laid upon foreign vessels as to give decided prefer-

⁶² *American State Papers*, Commerce and Navigation, i, p. 5.

⁶³ *American State Papers*, Commerce and Navigation, i, p. 5.

⁶⁴ *American State Papers*, Finance, i, p. 9.

⁶⁵ *American State Papers*, Finance, i, p. 10.

ence to American-built ships, we apprehend that these States would be able, in a short period, to supply a large portion, if not the whole, of the navigation necessary for the carrying trade of the United States."

The memorial and petition of the master shipwrights of Philadelphia⁶⁶ presents a most interesting picture of the condition of shipbuilding in that port and may be taken as an indication of the general situation throughout the other ports of the country. It represents: "That before the late Revolution, the shipwrights of the port of Philadelphia had acquired the reputation of building ships of moderate size, as well and as faithfully as any other port of the world by means whereof they obtained constant employment for themselves, their journeymen and apprentices, by shipbuilding to the amount of four thousand, five hundred tons annually, besides repairs of old ships. That the Revolution, in its consequences and effects has borne harder upon your petitioners than upon any other class of mechanics (or perhaps citizens at large) whatever, in depriving them of two-thirds of their former employment, as it appears from an average of three years past, that they have built only to the amount of fifteen hundred tons annually. That the British "Navigation Act" totally prevents them from building ships for that nation, but their merchants generally repair their vessels in America as far as that act allows and often run the risk of forfeiture by exceeding the limitation. That although the arret of France of December 1787 grants that vessels built in the United States, and sold in France or purchased by Frenchmen shall be exempted from all duties on proof that they were built in the United States, yet your petitioner built few vessels for that nation. That an edict of Spain of January 1786 lays a heavy duty on America-built vessels, purchased by their subjects; and also prohibits them trading to their colonies, although the duty is paid, and they are owned by the subjects of Spain; nevertheless, the Spaniards have purchased more vessels from your petitioners than any other nation. That under these discouraging circumstances, they have waited, with anxious expectations for the sitting of the honorable Congress under the Constitution of the United States, firmly relying that every exertion would be used to reinstate so necessary and useful a branch of business as nearly as possible, upon its former flourishing establishment."

⁶⁶ *American State Papers*, Finance, i.

The petitioners then suggest the following remedies:

1. That a tonnage duty should be placed on all foreign-built shipping sufficient to give a decided preference to shipping built in the United States.

2. That American-built and owned shipping should be exempt from this tonnage tax.

3. That American-built ships purchased by foreigners, ought to be nearly on the same footing as if owned by American merchants.

4. That foreign-built ships purchased by Americans should pay the same tax as foreign-built vessels owned by foreigners.

5. That discriminating duties be imposed on goods imported, those imported in American-built ships to pay less than those imported in foreign ships.

6. That discriminating duties should favor direct trade with foreign countries in American-built vessels.

7. That reciprocity respecting American-built ships might be arranged with Spain and Great Britain.

8. That no high duties should be laid on materials necessary for fitting ships which would augment their price and retard the progress of shipbuilding.

9. That a general system for the measurement of all ships built in the United States be established.

In response to these petitions Congress soon passed several laws which gave the desired relief. These acts dealt primarily with revenue and shipping, but the debates in Congress show that it was also the intention to give protection to shipbuilding. The sentiment of Congress is expressed by Mr. Fitzsimmons, of Pennsylvania, speaking in support of the discriminating tonnage act when he says, "The business of shipbuilding, I conceive, stands at this moment in want of the greatest encouragement in our power to give. If sufficient encouragement is given at this time, to produce a quantity of shipping adequate to the demand, when once in possession of them the business will stand in need of no further encouragement."⁶⁷

The first method by which the government gave aid to shipbuilding was by imposing discriminating duties. This policy was carried out in two acts, the one, the act of July 4, 1789, placing discriminating duties on imports, the other the tonnage act of July 20, 1789.⁶⁸ The former act provided in section 5 "That a discount on all

⁶⁷ Benton's *Debates of Congress*, i, p. 54.

⁶⁸ 1 Cong., sess. 1, ch. 2, and 3.

duties imposed by this act, shall be allowed on all such goods, wares, and merchandise as shall be imported in vessels built in the United States and which shall be wholly the property of a citizen or citizens thereof." At its second session the first Congress made further provision for the payment of the debts of the United States by adopting a new tariff schedule. This act of August 10, 1790 continued the principle of discriminating duties but changed the method. Instead of 10 per cent discount on duties for goods imported in American ships, 10 per cent was added to the duties when the goods were imported in foreign vessels.⁶⁹ The tariff act of May 1792⁷⁰ and the act of 1794⁷¹ contained the same provision.

The second of our fundamental maritime laws protected American-built ships by a discriminating tonnage duty. This act allowed American-built ships owned by American citizens to enter our ports by paying a tonnage tax of only 6 cents per ton, while it imposed a similar tax of 50 cents per ton on vessels built and owned by foreigners. Foreigners were encouraged to buy American-built ships by the provision that ships built in the United States and belonging to foreigners should pay at the rate 30 cents a ton. The act also provided that ships built and owned in the United States engaged in the coasting trade or in fishing should pay this tonnage tax only once a year while foreign ships in this trade should pay it at every entry. By another act⁷² Congress gave American-built ships a practical monopoly of the trade with the Orient. It provided that teas brought direct from China in ships of the United States were to pay only about two-thirds as much duty as when imported in foreign ships. Even when they were brought from Europe in domestic ships they were admitted on a much lower duty than when brought in foreign vessels.

By the act of March 27, 1804,⁷³ "light money" at the rate of 50 cents per ton was levied upon all foreign ships. This had the practical effect of increasing the discrimination in the tonnage tax. All foreign built vessels now had to pay \$1 a ton at each entry, American ships paid only 6 cents.

⁶⁹ 1 Cong., sess. 2, ch. 39, sec. 2.

⁷⁰ 2 Cong., sess. 1, ch. 27, sec. 5.

⁷¹ 3 Cong., sess. 1, ch. 54, sec. 4.

⁷² 1 Cong., sess. 2, ch. 39, sec. 1.

⁷³ 8 Cong., sess. 1, ch. 57, sec. 6.

The discriminating taxes aided our shipbuilding not only directly but also indirectly by increasing our shipping and thereby creating a demand upon our shipyards for merchant ships. The policy of discriminating in favor of American ships in import duties and tonnage taxes was continued from 1789 until it was superseded by the policy of commercial reciprocity. This was put in force by a series of proclamations issued by the President of the United States under the act of 1815⁷⁴ which opened our direct trade to reciprocity and the act of 1828⁷⁵ which opened the indirect trade as well. Since this policy has gone into effect American built ships enjoy no special favors in the foreign trade.

AMERICAN REGISTRY

— In order to make sure that the American shipbuilders would get the benefit of the protection intended by the discrimination in favor of ships built in the United States it was necessary for the government to keep a record of all the ships built in this country and to distinguish between those owned by Americans and those owned by foreigners. The American registry act of September 1, 1789, makes provision for this.⁷⁶ Section 1 provides "That any ship or vessel built within the United States, and belonging wholly to a citizen or citizens thereof, or not built within said states, but on the sixteenth day of May, one thousand seven hundred and eighty nine, belonging, and thereafter continuing to belong, wholly to a citizen or citizens thereof, and of which the master is a citizen of the United States, and no other, may be registered in manner hereafter provided, and being so registered shall be deemed and taken to be, and denominated a ship or vessel of the United States and entitled to the benefits granted by any law of the United States to ships or vessels of the description aforesaid."

The act provides a form for a certificate of registry to be secured from the collector of the district to which the vessel belongs. A full description of the vessel is set forth in the certificate. This certificate is to be attested by the secretary of the treasury under his hand and seal and countersigned by the collector. A duplicate of every certificate

⁷⁴ 13 Cong., sess. 3, ch. 77.

⁷⁵ 20 Cong., sess. 1, ch. 111.

⁷⁶ 1 Cong., sess. 1, ch. 11.

granted is kept by the government. All vessels of twenty tons or upwards engaged in fishing or in the coasting trade are to be enrolled in a similar way. Rules for tonnage measurement are laid down in the act. It also requires that all vessels built in the United States but owned by foreigners "shall be recorded in the office of the collector of the district in which the ship was built." The builder is required to make oath as to the description. Although this act was carefully drawn, foreigners soon found defects in the law through which they could enjoy the lower tonnage and import duties allowed only to American-built ships. It was also found that the law was not explicit enough to prevent evasion by which foreign-built vessels secured American registry. Hence to protect American shipbuilders more securely a more detailed law carrying out the intent of the original registry act, was enacted December 3, 1792.⁷⁷ The act of February 18, 1793⁷⁸ provided still further details in supplementing the earlier legislation to carry out the principles of complete protection to American shipbuilders by granting American registry exclusively to ships built in this country.

Fortunately for American shipbuilding Congress has adhered to this policy down to the present time. The only modification (except vessels captured in war) of the present principle is that involved in an act of December 23, 1852⁷⁹ which permits foreign vessels wrecked in the waters of the United States and repaired in our ports to take out American registers if the repairs amount to three-fourths of the value of the vessel. This act was repealed February 26, 1906.⁸⁰ American registry and its primary principle of American ships built in American yards are the legal basis which have enabled our shipbuilders to reap the benefits of all other legislation intended to encourage American shipbuilding or shipping.

BOUNTIES FOR THE FISHERIES

— From earliest colonial times the fisheries made large demands upon our shipbuilders directly for fishing vessels and indirectly for merchant vessels. Fully aware of the importance of the fisheries to our commercial welfare, the fathers of the Republic, early in our

⁷⁷ 2 Cong., sess. 1 ch. 1.

⁷⁸ 2 Cong., sess. 2, ch. 8.

⁷⁹ 32 Cong., sess. 2, ch. 4.

⁸⁰ 49 Cong., sess. 1, ch. 500.

national history, began the practice of paying what were practically bounties for vessels engaged in the deep sea fisheries. Acting upon Jefferson's report, Congress passed the act of February 16, 1792, which provided that in lieu of the drawback of duties paid on salt which had previously been allowed on dried fish exported, there were to be paid bounties. We may fairly call these payments bounties for the payments authorized were much larger than the duty on salt. Ships below twenty tons were to receive \$1.60 a ton, those between twenty and thirty tons were to receive \$2.40 a ton, and those over thirty tons were to be paid at the rate of \$4 a ton. On January 1, 1798, these rates were increased by a third.

The War of 1812 interrupted this practice, but the act of 1813⁸¹ restored the bounties at the original rates. With some modifications, the policy of paying fishing bounties was continued under all changes of parties until 1866.⁸²

There may have been no direct intention to aid shipbuilding through these bounties yet that industry did derive a very considerable benefit from these payments, and the lawmakers were fully aware of the relation between the fisheries and the welfare of our other maritime industries. Those who favor bounties to aid our shipping and shipbuilding find a satisfactory precedent in these fishing bounties.

THE COASTING RESTRICTION IN THE NAVIGATION ACT OF 1817

The tonnage act of 1789 required that American-built ships owned by Americans should pay a tax of 6 cents a ton, only once a year, while it required 50 cents a ton on ships built and owned by foreigners to be paid every time they entered an American port. This was virtually a prohibitive tax as it was intended to be. The "light money" at 50 cents a ton imposed on foreign vessels increased the discrimination and operated to the same effect. However, the act of Congress of April 5, 1808, supplementing the embargo act placed an absolute prohibition upon all foreign vessels in our coastwise trade. The next year this prohibition was removed but the American ship continued to be effectually protected by the discriminating tonnage taxes. But the navigation act passed in 1817⁸³ places an absolute

⁸¹ 30 Cong., sess. 1, ch. 35.

⁸² 39 Cong., sess. 1, ch. 298, sec. 4.

⁸³ 14 Cong., sess. 2, ch. 31.

prohibition upon all foreign vessels in our coastwise, lake, and river shipping. Section four of this act provides "that no goods, wares or merchandise shall be imported under penalty of forfeiture, from one port of the United States to another port of the United States in vessels belonging wholly or in part to a subject of any foreign power."

Since only American-built vessels can be enrolled for this trade, our shipbuilding industry has not only drawn its living from this branch of navigation since the decline of our foreign shipping, but has really thrived well. For in spite of the fact that the American-built ship is being driven out of all international commerce, this country continues to be one of the foremost shipbuilding countries. The thousands of miles of coast along the Atlantic, the Gulf and the Pacific in addition to the Great Lakes and several more thousands of miles of inland waterways afford the United States an opportunity for maritime development from which foreigners have been excluded without fear of retaliation. No other nation has such an important coastwise commerce. How much of our merchant shipbuilding is dependent upon this law appears from the fact that, in 1909, the total tonnage of our documented merchant marine was 7,388,755 tons, and of this amount only 887,505 tons were registered for the foreign trade.⁸⁴ Besides this there was an undocumented tonnage of more than 7,000,000 tons made up of vessels with no motive power of their own, engaged in the trade protected by this act.⁸⁵

Indeed, it is due to the policy embodied in this act and to our recent naval policy that this country possesses shipbuilding establishments of such efficiency, that it is one of the great shipbuilding nations of the world. American shipbuilding reached its height as compared with other nations in the decade between 1850 and 1860. In those census years the capital invested in the industry was less than \$6,000,000, an amount less than half that invested in each of several of our largest plants today. The tonnage built in those census years was, however, not nearly so large as in 1855 the year of maximum production when 583,450 tons were built. This record has been surpassed only in 1908 when 614,216 tons were built. Although the shipbuilding industry has not kept pace with the progress of our other industries, it has turned out a greater tonnage in the last decade

⁸⁴ *Report of Commissioner of Navigation*, 1909, p. 298.

⁸⁵ *Census Bulletin No. 91*, Transportation by Water, 1906 p. 9.

than was built in any previous decade. The value of this product is very much greater; and the amount of capital and labor employed are also very much larger.

One part of the shipbuilding industry of the United States developed under the protection of the act of 1817 deserves special attention. The development of an immense traffic in iron ore, coal, lumber and grain on the Great Lakes has created a demand for ships that has led to the establishment of a very important shipbuilding industry in that region. The steel shipyards here are favorably situated for fuel and materials, and on account of this act, are unhampered by foreign competition. They have been supplying a constantly growing demand for large carriers.

The relative importance of the shipbuilding on the Great Lakes for the last few years is shown by figures from the report of the commissioner of navigation for 1909 making a comparison based on vessels of one thousand gross tons and over, built from 1905 to 1909.⁸⁶

	1905	1906	1907	1908	1909
Total tonnage built on the seaboard.....	92,786	41,355	133,850	121,555	32,042
Total tonnage built on Great Lakes.....	101,521	232,366	217,755	322,806	85,457
Grand total for United States	194,307	273,721	351,605	444,361	117,499

In 1910, there were built on the Great Lakes 142,521 tons out of a total of 234,706 tons.⁸⁷

GOVERNMENT AID IN ESTABLISHING STEAMSHIP BUILDING

Under the protection of the laws enacted by Congress early in our national existence, our navigation and shipbuilding industries became established so securely that after two generations of steady growth the United States ranked as one of the two greatest maritime nations in the world. In the building of vessels this country had, for a time, better advantages than any other. An abundance of unexcelled ship timber, ample supplies of all other materials necessary for the construction and equipment of wooden vessels, and an ade-

⁸⁶ Page 13.

⁸⁷ *Report of the Commissioner of Navigation, 1910, p. 12.*

quate number of skilled shipcarpenters enabled American builders to launch the swiftest and most efficient ships in the world. Moreover they could build them cheaper. Between 1817 and 1845 there was no legislation in the United States to aid shipbuilding because none was needed. American-built packets and clippers proved their superiority in competition for the world's carrying trade and this created a constant demand on our ship yards from foreign as well as American owners..

In the building of steamships, however, American builders lagged behind. The superiority of the "clipper" caused American shipowners to delay in adopting steam for ocean navigation. Great Britain preceded the United States by more than a decade in the introduction of trans-Atlantic steamships. The liberal subsidies granted by Parliament to the Cunard Company since 1839 had already established that company in a regular steamship service across the Atlantic, when President Tyler in several successive messages urged Congress to adopt a similar policy.

Congress responded to these recommendations by passing the act of March 3, 1845.⁸⁸ This act authorized the postmaster-general to make contracts with Americans for the transportation of United States mail between any of the ports of the United States and a port or ports of any foreign power, "whenever in his opinion, the public interest will thereby be promoted." Preference was to be given to steamships which were to be delivered to the United States at an appraised value when they might be needed for naval purposes. Contracts might also be made for carrying the mails by steamers on the sea from one place to another in the United States. No contract was made until February 2, 1847,⁸⁹ when the Ocean Steam Navigation Company agreed to furnish a service of six round trips a year between New York and Bremen and six between New York and Havre. For this service the government was to pay \$175,000. The pay was to be doubled, when the service should be doubled. In fulfillment of this contract, four large steamers were built. The *Washington* of 1640 tons was the first to be finished and commenced service on June 1, 1847. The following March the *Hermann* of 1734 tons left New York on the first trip to Bremen. Two larger steamers the

⁸⁸ 28 Cong., sess. 2, ch. 69.

⁸⁹ House Exec. Doc., 30 Cong., sess. 1, No. 50.

Franklin of 2184 tons and the *Humboldt* of 2181 tons were completed by 1851. The next year, the contract was extended till 1857.

Meanwhile our growing interest in the Pacific Coast territories of California and Oregon and the consequent importance of the Isthmus of Panama route as well as the offer made by Mr. Edward K. Collins of New York for a mail service between New York and Liverpool caused Congress to pass the act of March 3, 1847,⁹⁰ which provided for increased mail subsidies and authorized contracts for the construction of four large war steamers also five merchant steamers to carry the mails to Havana and the Isthmus of Panama and on the Pacific from Panama to Oregon as well as steamers for the trans-Atlantic mail service between New York and Liverpool.

This act had important results in American shipbuilding. Under the authority of the fourth section of this act of March 3, 1847 the secretary of the navy entered into a contract with Mr. Albert G. Sloo⁹¹ for a semi-monthly mail service between New York, Charleston, Havana, New Orleans, and Chagres on the Isthmus of Panama. Under this contract Mr. Sloo was to build at least five steamships of which four were to be not less than 1500 tons each, propelled by engines of not less than a thousand horse-power each.⁹² Under authority of the fifth section of the same act the secretary of the navy entered into a contract for a monthly mail service from Panama to Oregon for a term of ten years. For this service, Mr. Arnold Harris whose contract was soon taken by Mr. Wm. H. Aspinwall and later by the Pacific Mail Steamship Company, was to furnish at least three steamers of not less than 1000 tons each. All these steamers were to be so constructed as to be easily convertible into war steamers and the navy department was to exercise control over them at all times. Within a year there were built at New York three steamers for this service on the Pacific Coast. The *California* was 1050 tons, the *Panama* 1087 tons, and the *Oregon* 1099 tons. For the service from New York to the West Indies and the Isthmus of Panama, the *Georgia* and the *Ohio* were the first to be put into service. They had a tonnage of 2727 and 2432 respectively and were about 250 feet long. The *Illinois* of 2123 tons and 267½ feet in length soon followed them. This service from New York and New Orleans to the Isthmus of Pan-

⁹⁰ 29 Cong., sess. 2, ch. 62.

⁹¹ Later assigned to George Law and his associates.

⁹² 32 Cong. sess. 1, House Exec. Doc. No. 124, p. 67.

ama and up the Pacific coast to California and Oregon was begun at a very opportune time. When the pioneer steamer of the Pacific Mail arrived at Panama after rounding Cape Horn from New York the captain was surprised to find there an excited crowd waiting to be taken to California. For the news of the discovery of gold there, had reached them while he was on his way from New York. An immense amount of business immediately sprang up. A railroad was built across the Isthmus of Panama and steamer after steamer was added to meet the demand for transportation. In the course of the next decade twenty-nine steamers of 38,000 tons were built for these two lines in the Pacific route to California at a cost of \$8,300,000.

The United States government, at first, agreed to pay \$290,000 per annum, under the Sloo contract and \$199,000 a year for the Pacific service. Later the payments were increased. The Pacific mail steamers from Panama to Astoria received \$308,000 in 1850, and \$346,000 after 1855.

The contract which called forth the finest steamships yet built in this country was that with the Collins company for a mail service between New York and Liverpool.⁹³ Mr. E. K. Collins entered into this with the avowed purpose of producing a line of steamships which would excel the Cunarders and reestablish the superiority of the ships built in the United States.

The contract required the company to build five steamships of at least 2000 tons each, and having engines of 1000 horse power each. The ships built went far beyond this. The *Artic* was 2856 tons the *Atlantic*, 2845 tons; the *Baltic* 2723 tons, and the *Pacific*, 2707 tons. The fifth ship called for by the contract was not finished until 1855. This was the *Adriatic* the largest, swiftest and most luxurious of all, having cost more than \$1,000,000. She was 345 feet in length and had a tonnage of 4144. These ships including their machinery were all built in New York.⁹⁴

Under the warship provision the *Susquehanna*, the *Powhatan*, the *Saranac* and the *San Jacinto* were built. The building of these

⁹³ 32 Cong., sess. 1, House Exec. Doc. No. 124, p. 75.

⁹⁴ For a detailed description of all these subsidized ships see *Shipbuilding Industry in the United States*, by Henry Hall in U. S. Census 1880, vol viii. For full reports on all the contracts and subsidized steamers of the United States see House Exec. Doc. No. 124 (222 pages) and No. 127 of 32 Cong., sess. 1.

four side-wheel steamers marks the real beginning of our steam navy. There had, however, been a few steamships constructed for the navy before this. Under the act of 1816, the first steam vessel of the navy was built and for a long time the *Fulton* was the only steamer in the navy. The only important steamships built for the navy before 1847 were the *Mississippi* and the *Missouri* in 1839. But the government continued to favor sailing vessels. Even as late as 1846, there were authorized a number of sailing vessels including the *Saratoga*, the *Portsmouth*, and the *Jamestown*. The five steamers built under the act of 1847 represent the most advanced naval architecture of the period, and henceforth sailing vessels were no longer constructed for the navy. There was considerable delay in building these steamers because of the lack of experience in building marine engines. The plants for this purpose became established in doing the work under these government contracts.

As a direct result of the legislation of 1845 and 1847, New York City became the greatest steamship building center in the United States. Yards for building sailing vessels were scattered along the Atlantic coast, but to build steamships and equip them with suitable machinery required an expensive plant and a body of skilled workmen that must accumulate through large scale production. Consequently steamship building centered in a few important places. Nearly all these subsidized steamers were built in yards along the East River at New York.

"The work of the New York builders gave them a great reputation and they were able to obtain large and profitable orders for war steamers from Russia, France, Italy, Portugal, Turkey and other foreign governments, bringing millions of money to that city . . .

. . . Taking the whole period from 1830 to 1861 there were built in the four principal cities of the Atlantic coast about eighty sea going steamers for coasting and California trades and on foreign orders, aggregating 120,000 tons in register and costing about \$29,000,000. Five-sixths of this tonnage was produced at New York City."⁹⁵

On account of the failure of the Collins steamers to sail with the mails as frequently as was provided in the contract, and a growing suspicion that the company was extravagantly managed, and

⁹⁵ Henry Hall in Census 1880, vol. viii.

still more on account of the rising of the sectional feeling between the North and South, all subsidies were withdrawn by Congress in 1858.⁹⁶

NAVAL DEMANDS OF THE CIVIL WAR

The withdrawal of the subsidies by Congress came at a critical period in the history of American shipbuilding—at the time of the transition from sail to steam and from wood to iron. In this transition Americans were at a disadvantage for they owed their supremacy in shipbuilding to the advantages they had in building their splendidly designed clipper, and other sailing vessels, from the unsurpassed supply of first class ship timber. The British, their greatest rivals, had the advantage in building iron ships, for the American iron and steel industries had hardly yet begun their great development.

American shipbuilders had to compete not only with the natural advantages which their rivals possessed; but their foreign competitors were also liberally subsidized by their governments. In order to find cargoes to carry, our ship owners had to lower freight rates till profits vanished, and even then many ships were idle. Just as these adverse conditions were beginning to drive the American merchant marine from its supremacy, the Civil War came bringing with it the ravages of the Confederate cruisers, increased insurance, and ruinous taxation. These bore down so heavily upon our shipping that our registered tonnage declined from 2,642,628 tons in 1861 to 1,492,926 tons five years later, and the proportion of our foreign trade carried in domestic bottoms declined from 65.2 per cent in the first year of the war to 27.7 per cent in the last year of the war. This loss was not due mainly to captures and losses at sea, but to the fact that American ship owners either sold their vessels to their competitors or placed them under the protection of a foreign flag. Nearly 800,000 tons passed from American register to foreign powers. It is obvious that these were bad times for our merchant shipbuilding; but, while the war brought with it these disadvantages to shipbuilding, it also created a demand for war vessels and forced under stress of the war a development in skill and building equipment which would not have

⁹⁶ Act June 14, 1858; 35 Cong., sess. 1, ch. 164. For a more complete study of these subsidies see *History of Shipping Subsidies*, by Royal Meeker, in American Economic Association Publications, 3 series, vol. vi.

been developed in so short a time under ordinary conditions of peace. When the war broke out the navy contained only thirty steamships and some antiquated sailing vessels. Only forty-two vessels were in commission. A whole navy had to be created and for this task the government depended largely on the private shipyard and employed the shipbuilders who had been producing our merchant vessels.

The government was compelled to have much of this work done in private yards. The navy yards had been sadly neglected for years and were hopelessly inadequate to the needs of the war, even the well-equipped private establishments could not turn out the work as quickly as it was desired. Anyhow it had heretofore always been the policy of the government to patronize private establishments liberally with its orders for the navy. As the war progressed, the government seems to have been well pleased with the work done by the contractors. There is frequent commendation of the spirit in which the shipbuilders carried out their obligations. So quickly was a navy equipped that the secretary of the navy was able to report by December 1, 1862 that four hundred and twenty-seven vessels had been added to the navy since the beginning of the war. Some of these were merchant ships which the government purchased and converted into suitable war vessels, others were the latest model iron-clads recently built. The secretary speaks of the difficulty that even the best equipped yards had in building even small and medium-sized iron-clads and especially in obtaining a sufficient supply of iron although all the rolling mills capable of doing the work had been engaged in supplying them. He recommended that the government establish a plant for the building of large and really first-class iron-clads which the private yards could not supply.⁹⁷

The government spent hundreds of thousands of dollars in equipping and improving the navy yards, but after all most of the work was done in private establishments. During the war seven hundred and thirty-eight vessels were built in private yards for the navy representing a value of \$30,461,755. One hundred and seventy-five marine engines representing a value of about \$21,000,000 were built at private establishments. Only two were built by the government itself. The total value of the work done in building vessels and en-

⁹⁷ House Exec. Doc., 37 Cong., sess. 1, No. 1, vol. iii.

gines for the navy department during the war amounted to \$64,317,-778, of which fully eighty per cent was done at private establishments.

In addition to this, three hundred and forty-three vessels representing a value of more than \$9,000,000, and a tonnage of more than a hundred thousand were built for or purchased by the war department. All of these were built in private yards, as were also the 216,000 tons purchased for the navy department and the 2503 vessels chartered as transports which represented a tonnage of 757,-611. The total tonnage employed by the government in these different ways, which had been built in private establishments amounted to 1,175,132 tons. Only 62,501 tons were built at the navy yards during the war.⁹⁸

The effect of these demands of the government upon shipbuilding during the war is well stated by Marvin as follows:⁹⁹ "The close of the war found American steamship building a very much better equipped and more confident industry than it had been in 1861. The yards had gained experience in four years of hard work for the government. They had acquired the essential machinery, and had developed an adequate force of skilled workmen."

WAR TAXES

The taxes brought on the country by the Civil War bore heavily upon our merchant shipbuilding. Shipbuilding materials of all kinds were subjected to import duties and to the internal revenue taxes. Under the tariff act of March 3, 1861¹⁰⁰ all forms of iron bars and plates were subject to a duty of not less than twenty per cent ad valorem. On boiler plate the duty was twenty dollars a ton, as well as on all other forms of rolled or hammered iron not otherwise provided for. The duty on wrought iron for ships, steam engines or parts thereof was a cent and a half per pound. In view of the backward condition of American iron producing industries, this was a serious handicap to the development of iron shipbuilding. Other materials used in shipbuilding such as lead, copper, white-lead, paints, linseed oil, etc., were also subjected to import duties under this act. On hemp and cordage the duties were heavy although a drawback

⁹⁸ House Exec. Doc., 41 Cong., sess. 2 vol. vi, No. 111, p. 28.

⁹⁹ *American Merchant Marine*, p. 341.

¹⁰⁰ 36 Cong., sess. 2, ch. 68.

of the duty on hemp imported was allowed if the cordage made of it was exported.

Even if American shipbuilders did not wish to import these materials, the duties helped to keep up the price of domestic materials and the price of these was still further enhanced by the tax imposed by the internal revenue act of July 1, 1862.¹⁰¹ The tax was placed on many materials used in shipbuilding including iron and steel as well as a tax of 3 per cent on the receipts of passenger fares of steamboats. The act of July 14, 1862¹⁰² greatly increased the import duties on iron, anchors, cordages, sail-duck, etc.

As the war debts piled up, the taxes became heavier. Under the tariff act of June 30, 1864¹⁰³ iron bars were subject to $1\frac{1}{2}$ cents a pound and no bars were to pay less than 30 per cent ad valorem. Wrought iron for ships was subject to a duty of 2 cents a pound; cable chains, $2\frac{1}{2}$ cents; and anchors, $2\frac{1}{4}$ cents per pound. On pig iron the duty was \$9 a ton and on steel $2\frac{1}{2}$ to $3\frac{1}{2}$ cents per pound plus 10 per cent ad valorem. Manufactures of steel were to pay 45 per cent. Sail duck or canvas for sails was to pay 30 per cent. Cordage of all kinds was under heavy duty.

The internal revenue act of the same date¹⁰⁴ placed a tax of 2 per cent on the hulls of all vessels of whatsoever kind thereafter built or finished. This was a tax directly upon shipbuilding. Even on all repairs made on ships, steamboats or other vessels which enhanced their value 10 per cent, there was a tax of 2 per cent. Marine engines were taxed 3 per cent, masts, spars and vessel blocks, 2 per cent; and sails 5 per cent. On pig iron the tax was \$2 and on iron castings \$3 per ton. On some kinds of steel, it ran up as high as \$12.50 per ton. Copper, lead, white-lead, rivets, etc., were also subject to this internal tax. Receipts from steamboats, ships, barges and canal boats were subject to a tax of $2\frac{1}{2}$ per cent. The internal revenue act of March 3, 1865¹⁰⁵ increased the tax on marine engines from 3 per cent to 5 per cent. The tax on shipbuilding was increased by placing the tax on "hulls as finished including cabins, inner and upper works" instead of "hulls as launched" as before.

¹⁰¹ 37 Cong., sess. 2, ch. 119.

¹⁰² 37 Cong., sess. 2, ch. 163.

¹⁰³ 38 Cong., sess. 1, ch. 171.

¹⁰⁴ 38 Cong., sess. 1, ch. 173.

¹⁰⁵ 38 Cong., sess. 2, ch. 78.

It must be remembered that other industries were likewise subjected to heavy taxes, but shipbuilding for commercial purposes was suffering under other disadvantages and consequently was unable to bear it. So when the war was over, and the government began to reduce the internal revenue taxes shipbuilding was one of the first to be relieved. The act of July 13, 1866¹⁰⁶ exempted entirely from the internal revenue, the hulls of ships and other vessels, also masts, spars, ship and vessel blocks, tree nails, and deck plugs, and all cordage, ropes, and cables made of vegetable fiber. The 5 per cent tax on marine engines was, however, continued as were the taxes on iron rivets, lead, etc. Most of these were continued until the final repeal of the war taxes in 1868.¹⁰⁷ The duties on imports, also remained in force. The agitation for their repeal will be considered later.

MAIL SUBVENTIONS 1864 TO 1875

The aid given to shipbuilding by the government, after the demand for war vessels had ceased, came through the contracts for a subsidized mail service to Brazil and to the Orient. Coöperating with the Brazilian government, Congress, in 1864 authorized¹⁰⁸ a contract by which the United States was to pay \$150,000 as its half of the subsidy. It was stipulated that the mails were to be carried in steamships, of not less than 2000 tons displacement, and of a speed sufficient to make twelve round trips in a year. They were to be constructed of the best materials and after the most approved models, with all modern improvements. They were also to be subjected to the inspection and approval of an experienced naval constructor. At its next session Congress in response to the demands of California authorized¹⁰⁹ the postmaster-general to contract for a monthly mail service between San Francisco and China. This act called for first class American sea going steamships of not less than 3000 tons each and with a speed sufficient to make twelve round trips a year. The steamers were to be fitted out with most modern improvements and to be approved by a naval constructor. For the encouragement of the project the government advanced half a million dollars a year.

¹⁰⁶ 39 Cong., sess. 1, ch. 184.

¹⁰⁷ 40 Cong., sess. 2, ch. 141.

¹⁰⁸ 38 Cong., sess. 1, ch. 98.

¹⁰⁹ 38 Cong., sess. 2, ch. 37.

The contract was let to the Pacific Mail Steamship Company which began the service in 1867. In the spring of that year Congress authorized¹¹⁰ a change in the route by cutting out the stop at Honolulu and extending the service to Japan and by another act¹¹¹ set aside \$75,000 for a separate service to Honolulu.

Under these contracts, the Pacific Mail Steamship Company built four wooden side-wheel steamers, luxuriously fitted out, but obsolete in design. It was, however, the type still in use by the Cunard Company in the trans-Atlantic service. But steamship building was then sufficiently advanced in the United States to have produced modern screw propellers much more efficient and better adapted to the service than these. This aid from the government should have brought forth something better from our ship-builders. Later, there were put into this service high class iron steamers with screw propellers such as the *Granada* and the *Colima*. The *Granada* was one of a pair of 3000-ton steamers built by Harland and Hollingsworth at Wilmington, Del., in 1872 and the *Colima* also, about 3000 tons, was one of a pair built the next year by John Roach and Sons. However the Pacific Mail Steamship Company did build two really up-to-date steamers for this service. This was done under a contract which the government authorized by the act of June 1, 1872.¹¹² This provided for doubling the service to China and Japan at the same rate per voyage. The stipulations of this act called for larger ships of a better type. They were to be steamships of not less than four thousand tons register built of iron, with their engines and machinery wholly of American production and so constructed as to be readily adapted to the United States naval service.

Under these provisions the Pacific Mail Steamship Company built at Chester, Pa., in the yard of John Roach and Sons the *City of Peking* and the *City of Tokio*. Each of these was 419 feet in length and of 5080 tons register. They were by far the finest commercial steamships that had yet been built in this country. They were a real triumph in American shipbuilding. It was the government aid that brought it about. But before these steamships were finished it was discovered that about a million dollars had been spent in lobbying

¹¹⁰ 39 Cong., sess. 2, ch. 41.

¹¹¹ 39 Cong., sess. 2, ch. 182.

¹¹² 42 Cong., sess. 2, ch. 256.

to secure the contract.¹¹³ Consequently, the act of March 3, 1875,¹¹⁴ nullified the contract.

The shipbuilding interests were anxious to have the contract continued. John Roach, then the foremost shipbuilder in the country, protested.¹¹⁵ The Pennsylvania legislature entered a protest against the breaking of the contract and adopted a resolution in favor of fostering in every manner, the building of American ships, by American mechanics, and of American materials.¹¹⁶ Similar remonstrances came from the San Francisco Chamber of Commerce and the California Business Interests,¹¹⁷ and from various commercial bodies of New York.¹¹⁸

But the exposure of the corrupt lobbying brought such discredit upon the whole matter of ship subsidies, for which there was no strong sentiment throughout the country anyway, that all the contracts were ended. This aid given by the government to the Pacific Mail Steamship Company was of more importance in the history of American shipbuilding than appears in the number of ships built for the service. Excepting the demand created by the subsidized service there was no demand for trans-oceanic steamers, whatever. What foreign commerce our shipowners still carried on was borne in sailing vessels as was also by far the larger part of the coasting trade. Our river steamboats were smaller and did not demand the kind of equipment and skill that had been developed in the yards on the Delaware under the government contracts. The best equipped and most efficient establishments for building iron steamships in the United States at this time were those on the Delaware. They had the natural advantages of being situated on deep fresh water and near an abundant supply of coal and iron. But the demand for high class shipbuilding was largely due to orders emanating either directly or indirectly from the government. Cramps had developed enormously during the war in filling naval demands, and now the yards at Chester and Wilmington achieved their greatest success in these Pacific mail steamers.

¹¹³ 43 Cong., sess. 2, House Report No. 268.

¹¹⁴ 43 Cong., sess. 2, ch. 128.

¹¹⁵ 43 Cong., sess. 2, Sen. Mis. Doc. No. 85.

¹¹⁶ 43 Cong., sess. 1, H. Mis. Doc. No. 280.

¹¹⁷ 43 Cong., sess. 1, H. Mis. Doc. 275.

¹¹⁸ 43 Cong. sess. Sen. Mis. Doc. No. 94 and No. 95.

TARIFF CONCESSIONS TO SHIPBUILDING

After the Civil War had ended shipbuilding suffered very greatly indeed. The demand that should have come from a revived commerce upon the restoration of peace did not come. Our shipowners could not compete successfully with the foreigners. During the three years following the war our shipowners were carrying only about one-half as much of our foreign commerce as they had carried during 1861. No government relief was attempted until 1869 when the House of Representatives appointed a committee to inquire into the causes of the decline of American tonnage in our foreign shipping and to report remedies for the restoration of the United States to its former position as a maritime power. The report of this committee, the well-known Lynch report, was made on February 17, 1870.¹¹⁹ In the hearings before the committee strong demands were made by ship owners that they should be allowed to purchase foreign-built ships wherever they could get them cheapest and have them registered as American ships. They were also pressing in their demand that American ships which had sought protection under a foreign flag during the Civil War should be readmitted to American registry. Both of these proposed remedies were bitterly opposed by the shipbuilders who appeared before the committee. They maintained that they could build ships as cheaply as they were being built abroad, if they could import shipbuilding materials free of duty. They were not willing, however, to risk competition with them; for they were opposed to the proposal to allow the free importation of both shipbuilding materials and foreign-built ships to be admitted to the American registry. Indeed, some of the ablest shipbuilders admitted that such a policy would close up American shipyards.

The report of the committee was accompanied by two bills incorporating the remedies it considered advisable. The proposal to admit foreign-built ships to American registry was rejected, but the shipbuilders' demand for free importation of shipping materials was provided for in one of the bills. It provided for a drawback of duty paid on imported lumber, hemp, manila, composition metal, iron not advanced beyond plates and bars, rods and bolts. When American materials were used on iron or composite vessels or steamers, there were

¹¹⁹ 41 Cong., sess. 2, House Reports, vol. 1, No. 28.

to be paid bounties equivalent to the duties on the materials if they had been imported. This was primarily in the interest of the shipbuilders but the shipowners were to be aided by liberal navigation bounties to be relieved from all state and federal taxation except a tonnage tax of 30 cents which foreign vessels would also have to pay.

But Congress did not enact these proposals. The country was no longer a strip of Atlantic coast territory. Railroads and agricultural machinery had opened the West. The most enterprising Americans who in earlier generations might have been merchant-princes or shipbuilders were now turning their energies and their capital to the development of our natural resources of the interior farms and mines. These internal enterprises, in exploiting a virgin country, yielded returns with which the risks of the seas and the unequal competition with the subsidized steamships of Europe did not compare favorably. The interior interests now dominated Congress. Our legislators were much more interested in the development of railroad lines than in the protection of the merchant marine. It is significant that a national convention held at Chicago in 1878¹²⁰ for the promotion of American commerce, and opened with a speech by Henry Watterson which he began by saying "I believe that the time is coming when American shipping driven from the sea, will whiten all the bays, gulfs, and ports of the civilized world," was most interested in urging that the government aid in the speedy completion of the Northern Pacific and the Texas Pacific Railroads. The first three of the five resolutions adopted dealt with the Pacific Railroads; the fourth recommended the subsidized American-built steamers to the south of us and the fifth dealt with an inland waterway behind Cape Hatteras.

This very policy of encouraging railroad development operated to the disadvantage of the shipping interests. In October 1869 Mr. Low complained¹²¹ before the Lynch Committee that the government had given \$50,000,000 or more besides extensive lands to the Pacific Railroad, and that this had already brought to the Pacific Mail Steamship Company a loss of \$6,000,000 or \$8,000,000. In two years its stock of \$20,000,000 fell from \$150 to \$56 a share.

Though shipbuilders were not granted the privileges incorporated in the bill of 1870, two years later some concessions were made

¹²⁰ 45 Cong., sess. 3 House Mis. Doc. No. 14.

¹²¹ 41 Cong., sess. 2, House Rep. No. 28, p. 44.

in the tariff act passed June 6, 1872.¹²² This allowed the free importation of materials for building and equipping wooden vessels "to be employed in the foreign trade and between the Atlantic and Pacific ports of the United States." But the proviso that vessels receiving the benefit of this concession "shall be allowed to engage in the coastwise trade for not more than two months in any one year," practically destroys all advantage that might have come from it. This same act also granted that all articles of foreign production needed for the repair of American vessels engaged exclusively in the foreign trade might be imported free of duty. But since the number of American vessels engaged in foreign trade exclusively has been small this concession has been of very little practical benefit to American shipbuilding.

Another tariff concession was made in the act of June 26, 1884.¹²³ Section 17 provides that "when a vessel is built in the United States for foreign account, wholly or partly of foreign materials, on which import duties have been paid, there shall be allowed on such vessels when exported a drawback equal in amount to the duties on such materials." The United States, however, was to retain 10 per cent of such drawback,

In the McKinley act of 1890¹²⁴ the concessions of the acts of 1872 and 1884 are continued and materials used in building iron and steel ships are added to those that may be imported on the same terms as those for wooden vessels.

All these concessions have been continued in the later tariff acts. But the restriction that a ship built of materials imported free, cannot engage in the coasting trade of the United States for more than two months in a year has made these concessions of little practical value. No American shipowner, under present conditions, builds a deep sea ship, even though she be designed primarily for foreign commerce, without considering that he may be glad some day to fall back on the coastwise trade which now includes the trade to our over-sea possessions. Therefore this apparently liberal concession of free importation of shipbuilding materials has after all been of very little real importance.

The Merchant Marine Commission of 1904 reported that only

¹²² 42 Cong., sess. 2, ch. 316, sec. 10.

¹²³ 48 Cong., sess. 1, ch. 121.

¹²⁴ 51 Cong., sess. 1, ch. 1244.

one large steel ship the *Dirigo*, had been built under this concession. Her builders, Arthur Sewall and Company, Bath, Me., said that the *Dirigo* was a cause of constant anxiety to them, for if the vessel were to be more than two months on the voyage between Puget Sound and Hawaii, the duties would have to be paid on the foreign plates, angles and beams of which she was constructed. Consequently, the Sewall Company did not again avail itself of the free-list privilege, although they had built several steel ships since.¹²⁵

The Merchant Marine Commission recommended that this coasting restriction be extended from two months to six months in a year and be made an all-the-year-round privilege for vessels in the trade to the Philippines as it already had been for the Atlantic-Pacific trade. No action was taken upon this recommendation until the tariff act of August 5, 1909¹²⁶ made the coasting restriction six months in a year but said nothing about the Philippine trade.

This tariff act also contained another provision which concerned shipbuilding. Under section 37, foreign-built yachts owned by American citizens are subjected to an annual tax of \$7 per gross ton or else to an import duty of 35 per cent ad valorem. In the first year under this act eight foreign built yachts paid the annual tax and three paid the duty.¹²⁷

AMERICAN REGISTRY POLICY SINCE THE CIVIL WAR

As has already been pointed out, about 800,000 tons of American shipping passed into foreign hands during the Civil War. When the dangers of the war were over some of this tonnage would have returned to the protection and the advantages of American registry. Congress, however, prevented this by passing an act intended to benefit the shipbuilders of the United States. This act passed in February 1866¹²⁸ excluded from American registry all ships that had taken refuge under the protection of any foreign flag or government during the Civil War.

By 1869, when the government took up the question of relief to our maritime interests, strong pleas were made in the hearings of the Lynch committee for the repeal of this act. But this committee

¹²⁵ *Report of the Merchant Marine Commission*, vol. i, p. ix.

¹²⁶ 61 Cong., sess. 1, ch. 6, sec. 18 sec. 19.

¹²⁷ *Report of the Commissioner of Navigation*, 1910, p. 17.

¹²⁸ 39 Cong., sess. 1. ch. 8.

very properly pointed out in its report to Congress that "To allow citizens to avail themselves of all the advantages conferred by our government during peace, and escape all the risks of supporting it during the war, by placing their property at such times under the protection of a foreign flag would be a dangerous precedent to establish."¹²⁹ It is probably true that this policy did not aid our shipbuilders materially, but the government could not afford to sacrifice the principle involved for such advantages as its repeal might have brought to American shipping.

Although Congress thus maintained the general policy of granting American registry only in such a way as would be to the best interests of American shipbuilding, some of this alienated tonnage was re-admitted by special acts. In the same manner some foreign-built vessels were granted American registry. The act of April 25, 1866 granted American registry to twenty craft including several Canadian-built, and on July 20, 1868, there was authorized registry or enrollment to seventeen Canadian-built ships employed upon the Great Lakes and owned by American citizens upon condition that they pay a tax equal to the internal revenue tax upon the materials and construction of similar vessels of American build. During the next decade a number of such special acts were passed which admitted about twenty-five thousand tons of foreign shipping to American registry.

Even before the war, Congress had frequently granted registers to foreign vessels by special act, but the total tonnage thus admitted was not so large. For the second decade after the close of the war, the amount thus admitted was small. Since 1885 Congress has admitted a considerable tonnage (nearly 200,000 tons) by special acts. In 1891, 18,000 tons were admitted; in 1893, 22,000 tons; in 1898 nearly 28,000 tons; in 1900, 21,000 tons; and in 1901, nearly 42,000 tons.¹³⁰ These, however, are the highest years and most of them can be explained in connection with the Spanish-American War, and the nationalization of the Hawaiian and Porto Rican vessels.

Four or five years after the close of the Civil War when the government was turning its ear to the shipping interests in the hope of finding some way to revive our maritime industries another change

¹²⁹ 41 Cong., sess. 2 H. Report, No. 28, p. xi.

¹³⁰ *Report of Commissioner of Navigation*, 1910, p. 224-226. Table showing all foreign-built tonnage admitted by special acts, 1813-1910.

in the registry laws was urged. It was proposed that we should abandon our old policy of granting American registry to American-built ships exclusively. Up-to-date steamships could now be built in England for at least a third less than in the United States. Certain shipping interests, therefore, claimed that the United States could again carry its former share of foreign commerce if foreign-built vessels could be admitted to American registry. They demanded that they should be allowed to purchase their ships where they could buy cheapest. Some frankly admitted that the adoption of this policy would ruin our shipbuilding industry, but most of the "free ship" advocates argued that in the end it would be a benefit even to the builders of vessels. They argued that stagnation now reigned in all our shipyards, but that the admission of foreign-built ships to American registry would enable them to restore the shipping business, which in turn, would create a demand upon shipbuilders for repairs and later would increase shipbuilding in the United States to a point of such efficiency that ultimately they would be able to compete with foreign builders.

The leading American shipbuilders all of whom set their views before the Lynch committee were bitterly opposed to the admission of foreign-built vessels. They all agreed that it would ruin the shipbuilding industry in the country. Most of them thought the government should aid them by bounties and draw-backs on ship materials so that they could furnish American-built vessels as cheaply as they could be built abroad.

The committee after hearing both sides, reported against the admission of foreign-built vessels even if they were to pay an import duty as was suggested by some who had more consideration for our shipbuilders. But this was not the end of the "free ship" agitation. On March 15, 1872, there was introduced into the House a bill providing for the admission to American registry foreign-built ships wholly owned by citizens of the United States.¹³¹ The agitation was kept up and in the eighties it became acute. In a lengthy speech on January 27, 1881, Senator Beck of Kentucky defended the position expressed in a resolution submitted by him two days before. This declared "that all the provisions of law which prohibited our citizens from purchasing ships to engage in the foreign carrying trade

¹³¹ House Exec. Doc. No. 194, vol. 10, 42 Cong., sess. 2.

or which prevent the registration of them as American ships, when owned, commanded and officered by citizens of the United States ought to be repealed."¹³² This speech was answered by Mr. Blaine. The question now became partisan and involved in the general question of "Protection" vs. "Free Trade." The Committee of Naval Affairs also reported favorably a "free ship" bill into the House.

In the next Congress the matter came up again. A joint select committee was appointed to inquire into the considerations and wants of the American shipbuilding and shipowning interests and to suggest any remedies that might be applied by legislation. The report of this committee presented by Mr. Nelson Dingley Jr.,¹³³ was strong against free ships, but a minority report favored them.

The agitation continued and in 1884 Mr. Dingley¹³⁴ and his friends on the Committee on American Shipbuilding and Shipowning Interests again reported unfavorably on the "free ship" bill before the House. The reasons given were that it would be an injustice to shipbuilders while all other industries were protected; that it would result in the destruction of the shipbuilding industry in this country, and would not materially increase our shipping, since the first cost of a vessel was but a small part of the cost of operation; that it would open the demand for the admission of foreign-built ships into the coastwise trade; and finally, it would destroy the naval reserve power that resided in our shipbuilding establishments. On this last point Jefferson and Madison were quoted to show the wisdom of their policy in our fundamental maritime legislation.

Two years later, in 1886,¹³⁵ the majority of the Committee on Shipbuilding and Shipowning Interests reported favorably a bill which would have admitted foreign-built vessels into the coastwise as well as into the foreign commerce. The arguments advanced in favor of the bill were the usual ones; that the American registry policy was obsolete and reacted disastrously on our shipping and even on shipbuilding itself, for, "unless there be employment for ships there can be no demand for them; all civilized nations now have free ships; the important interest involved was not shipbuilding but shipping, and finally the decline of American shipping might

¹³² Congressional Record, 46 Cong., sess. 3.

¹³³ 47 Cong., sess. 2, House Report No. 1827—Senate Report No. 883.

¹³⁴ 48 Cong., sess. 1, House Report No. 750.

¹³⁵ 49 Cong., sess. 1, House Report, No. 1332.

have been avoided if her merchants had been permitted to buy iron and steel steamers where they could get them cheapest. The minority headed by Mr. Dingley opposed the bill for the same reasons that he had given before. "Instead of destroying our shipyards," he said, "the government should build them up at whatever cost, as England did. We should stick to our policy of American ships built in American yards."

In the next Congress this bill was again urged in the House by Mr. Dunn's committee, amended, however, so that no foreign-built vessel could participate in the coastwise trade. Mr. Dingley now¹³⁶ points out that "this bill originates in a remarkable manner, for aside from the bare majority of members of this committee who favored the bill and an individual who advocated the inclusion of the coastwise tonnage in the provisions of the bill, not a person, nor a company, nor maritime association, nor a trade guild or union of workmen, nor single Knight of Labor, nor an American sailor, nor an American merchant, nor an American shipper has, by personal appeal or petition, asked for the enactment of this bill into a law."

In spite of such a condition the agitation has continued. Almost every Congress has had before it such a bill sometimes receiving a good deal of favorable consideration. There is no likelihood of an unlimited "free ship" policy gaining support. The public is suspicious of the motives of its advocates; besides whatever justification there might have been for it in the seventies before the development of our iron and steel industries has now passed away. Our changed naval policy and the interests of the government in keeping up first-class shipbuilding establishments for naval reasons also act against a "free ship" policy.

Yet every commission, committee, or individual who discusses the American merchant marine still gives attention to this question. In his report of 1909, the commissioner of navigation said that little injury would come to American shipbuilders if foreign ships were granted admission to the foreign trade only, since they are not building for this trade under the present law. He also points out that the admission of foreign-built ships into foreign trade would probably not help our shipping in the foreign trade. Many disinterested students and patriotic Americans have come to believe that

¹³⁶ 50 Cong., sess. 1, House Report 1874.

this would aid our shipping and could do no harm to shipbuilding, but through the increased shipping would even create demands on our shipyards. Replies received by the Merchant Marine Commission from Americans who operate a large tonnage under foreign flags are unanimous in declaring that they would not transfer their fleets to American registry, if there were no other inducements.

The coastwise trade, the Americans will not throw open now to foreign-built ships, although in 1908 a bill passed one branch of Congress which would have opened the carrying between the Pacific Coast and the Hawaiian Islands.

Although Congress has steadfastly refused to change the American registry policy, it did pass an act in 1892 which made slight modifications.¹³⁷ This act entitled "An Act to Encourage American Shipbuilding" provides for the admission to American registry of certain foreign-built steamers engaged in the foreign trade of the United States on condition that the American owners obtain full title and that they build in the shipyards of the United States similar steamships of an aggregate tonnage not less than that admitted. This act although worded in general terms was really a piece of special legislation intended to admit the British-built *City of Paris* and *City of New York* to American registry.

These two steamers had been built by the International Navigation Company, an American corporation which had bought the Inman Line, one of the three trans-Atlantic lines subsidized by the British government. When these vessels were built, the British government refused to continue the contract by which a subsidy would be paid to a line so largely owned by American capital. The owners thereupon, appealed to Congress to have them admitted to American registry in order that they might take advantage of the mail payments provided by the ocean mail act of 1891. It was in response to this request that Congress passed the above act which allowed these vessels to enjoy all the privileges of American ships except those of the coastwise trade.

Under the terms of this act the International Navigation Company built two splendid modern steamers, the *St. Louis* and the *St. Paul* in Cramp's Shipyard in Philadelphia. They surpassed any other merchant ships that had yet been built in this country. Cramp's

¹³⁷ 52 Cong., sess. 1, ch. 63.

Shipyard had been turning out ships for two generations. It had greatly increased its efficiency during the Civil War and was just becoming the foremost establishment in the United States by doing splendid work for the government in building our new steel navy. The *St. Louis* and the *St. Paul* are 554 feet in length, 63 feet wide, and 51 feet deep, and of 11,600 tons gross register. Under the naval requirements of the act and the ocean mail contract under which they were constructed, they were very carefully and securely built. It is a matter of pride to Americans that for a time they were the fastest and finest commercial vessels afloat—although they are now becoming antiquated.

Encouraged by the success of the International Navigation Company the Pacific Mail Steamship Company made a similar proposal to Congress. The Committee on Merchant Marine and Fisheries reported favorably a bill (June 15, 1892) for granting American registry to the British-built steamship *China* which this company had acquired to replace the *City of Tokio* lost at sea. The passage of this bill was urged because the Oriental line was encountering the competition of the line from Vancouver to Yokohama recently established by a subsidy of half a million dollars per year from the British and Canadian governments, because the navy department favored it and for the further reasons that the company promised to build in the shipyards of the United States two much larger steamers. It was also pointed out that this company had built or purchased about fifty American-built iron steamships, twenty of these it now had in service, and had under construction four steamers of 3500 tons. In spite of these apparently good reasons the bill failed to become a law.¹³⁸

Soley, writing about this time, thinks here is a compromise plan which might be used to the advantage of both the shipowning and the shipbuilding interests, unfortunately Congress has not adopted it as a general policy.¹³⁹

The acquisition of over seas territories by the United States has caused an extension of our coasting and registry laws. The act of April 12, 1900,¹⁴⁰ authorized the commissioner of navigation to make

¹³⁸ The *China* was however later admitted to American registry.

¹³⁹ *The Maritime Industries of America* by J. R. Soley in Shaler's United States, vol. 1.

¹⁴⁰ 56 Cong., sess. 1, ch. 191, sec. 9; Navigation Laws of U. S. 1907, p. 24.

such regulations as he might deem expedient, for the nationalization of all vessels owned by the inhabitants of Porto Rico on April 11, 1899, and which continued to be so owned to the date of such nationalization. Ships thus nationalized were to be admitted to all the benefits of the coasting trade of the United States. The same act extended the restrictions of our coasting laws to the trade between Porto Rico and the United States, thus reserving this trade to American ships.

The Hawaiian trade was likewise reserved for American ships by the act of April 30, 1900.¹⁴¹ This act also admitted to American registry all vessels carrying Hawaiian registers on August 12, 1898, which were owned by citizens of the United States or of Hawaii besides five other vessels especially named. A temporary act of April 15, 1904,¹⁴² excluded foreign vessels from carrying merchandise or passengers between the United States and the Philippines. It was stipulated that the restrictions of the United States coastwise trade were not to be applied to the trade between two ports in the Philippine Archipelago until Congress should authorize the registry of vessels owned by inhabitants of the Philippines. These temporary measures were re-enacted on April 30, 1906,¹⁴³ and still form the legal status of this trade.

This application of our coasting laws is helping our shipbuilders a little. The two largest merchant ships built in the United States in 1910, the *Wilhemina*, 6974 tons and the *Kentuckian*, 6606 tons, were put into the Hawaiian service. The commissioner of navigation points out¹⁴⁴ that under the applications of the coasting laws to the Hawaiian trade and the trade by way of the Isthmus of Tehautepec shipbuilding for these trades has steadily increased. He declares that it has scarcely kept pace with the increased demand for transportation facilities. To provide better facilities, there has been pending a bill to allow foreign ships to carry passengers between Hawaii and the mainland. This is not the proper way to meet the situation and the commissioner of navigation urges the importance of having at hand a sufficient number of American ships to meet the increased demand when the Panama Canal will be opened four years hence.

¹⁴¹ 56 Cong., sess. 1, ch. 339, sec. 98; Navigation Laws, 1907, p. 238.

¹⁴² 58 Cong., sess. 2, ch. 1314.

¹⁴³ 59 Cong., sess. 1, ch. 2071, Navigation Laws, 1907, p. 245.

¹⁴⁴ *Report of Commissioner of Navigation*, 1910, p. 12.

THE OCEAN MAIL ACT

Since the repeal of the mail subsidies for the Brazilian and the Oriental services, there has been only one other law passed to aid our merchant marine by means of mail payments. This is the ocean mail act of March 3, 1891.¹⁴⁵ The postmaster-general is authorized by this act to enter into contracts for a term of not less than five years nor more than ten years for carrying mails between the United States and such foreign countries "as in his judgment will best subserve and promote the postal and commercial interests of the United States."

The vessels employed in this service must be American-built steamships. Provision is made for four classes of vessels. Those of the first class are required to be iron or steel screw steamships, capable of maintaining a speed of twenty knots an hour at sea in ordinary weather, and of a gross registered tonnage of not less than 8000 tons, those of the second class are required to be iron or steel steamships capable of maintaining a speed of sixteen knots in ordinary weather and of a gross registered tonnage of not less than 5000. For the third class the speed requirement is fourteen knots and the size at least 2500 tons, vessels of the fourth class may be of wood and the speed requirement is only twelve knots. For the service between the United States and Great Britain only vessels of the first class may be employed. It is also stipulated that the ships of the first three classes shall be built with particular reference to prompt and economical conversion into auxiliary naval cruisers, consequently they are to be constructed under the direction and approval of the naval authorities.

The compensation allowed under this act is fixed at the rate of \$4 a mile for steamships of the first class, \$2 for those of the second class, \$1 for the third, and two-thirds of a dollar for the fourth class. These payments have proved insufficient to produce the desired increase in American shipping and shipbuilding. The most important ships built under the provisions of the act are the *St. Paul* and the *St. Louis* of the American line described in a preceding section. Four other lines are operating steamships under the authority of this act. The payments to these four other lines amount to about half a million dollars annually.

¹⁴⁵ 51 Cong., sess. 2, ch. 519.

The act has not had very important results in shipbuilding. Although the five lines receiving payments under contracts authorized by the act have about twenty ships in operation, none of them except the *St. Paul* and *St. Louis* mark any great advance in American shipbuilding. These two ships were built under the special additional inducement of the privilege of having the two similar foreign-built ships admitted to American registry.

That the payments authorized by this act were too small to produce very important results soon became generally recognized. Numerous attempts have been made to induce Congress to increase the payments, but these attempts have all been without success. Some of the most notable attempts of the last decade are Senator Frye's bill introduced in December, 1901, the measures recommended by the Merchant Marine Commission in 1905 and the amendments of the ocean mail act of 1891 before the last Congress. The Frye bill proposed a general subsidy, a subsidy for deep-sea fisheries, and ocean mail payments which were to take the place of those authorized by the ocean mail act of 1891. The bill, if enacted, would have required the expenditure of millions in aid of navigation and would have given some aid to shipbuilding. Special inducements were offered for shipbuilding by a provision of higher subsidies for vessels built within the five years following its enactment into law. The bill recommended by the Merchant Marine Commission¹⁴⁶ professed to be for the promotion of naval power, the establishment of ocean mail lines to foreign markets, and the advancement of commerce. The bill does not disturb the five contracts under the act of 1891, but it proposes increased payments for ten lines of ocean mail steamers to the countries south and west of the United States. The maximum expenditure for these ten lines was placed at \$2,665,000. The latest attempts have been to amend the ocean mail act of 1891 so as to allow \$4 a mile, instead of \$2 to vessels of the second class in the South American and the trans-Pacific services.¹⁴⁷ Such a measure was passed by the Senate in 1911, but failed to become a law.

¹⁴⁶ *Report of American Merchant Marine Commission*, vol. 1, p. xlvii.

¹⁴⁷ *Report of the Commissioner of Navigation*, 1910, p. 8.

RECENT NAVAL POLICY

Our new naval policy had its beginning when the secretary of the navy, William H. Hunt, appointed a naval advisory board of which Rear-Admiral John Rodgers was president to inquire into the needs of our navy. This board reported November 7, 1881, that there were only thirty-two vessels which were then available or could be made so at a cost low enough to warrant the expenditure. Of these, only eight were in reserve "while throughout the world it is recognized that in order to keep up the strength of a wooden fleet a reserve of 50 per cent is necessary." The board recommenced the construction of thirty-eight unarmored cruisers with a minimum speed of ten to fifteen knots an hour. The ten-knot class, they recommended, should be built of wood with live-oak frames, planked and ceiled with yellow pine. For the thirteen, fourteen and fifteen-knot vessels, the board was at first inclined to favor iron, since iron shipbuilding was now well developed in the United States, and since there was a lack of experience in making steel frames in this country. Even in Europe steel shipbuilding was still in the experimental stage. But upon further investigation it was finally recommended that these higher class vessels should be built of steel throughout, for it was the feeling of the board that for the reputation and national advantages of the United States, it is of prime necessity that in this country, where every other industry is developing with gigantic strides, a bold and decided step should be taken to win back from Europe our former prestige as the best shipbuilders of the world. As to the rigging, it was the opinion of the board that "all classes of vessels should have full sail power." It was not until 1887 that the practice of full sail rig was abandoned for cruising vessels. The *Maine*, blown up in the Havana harbor, was the last so designed, but before completion the sail rigging gave way to military masts.

The whole program recommended called for an immediate addition to the navy of eighteen steel unarmored cruisers having a displacement of 3043 tons to 5873 tons, and twenty fourth-rate wooden cruisers having a displacement of about 793 tons and an average speed of ten knots. Besides these there were to be thirty small vessels making sixty-eight in all. The total cost of the vessels recommended was estimated at \$29,607,000.¹⁴⁸

¹⁴⁸ House Exec. Doc., vol. 8, no. 1, p. 3, p. 28, 47 Cong., sess. 1.

Congress responded to this elaborate recommendation but very weakly. By an act passed August 5, 1882,¹⁴⁹ it provided for the construction of two large steel cruisers with full steam power. This act also provided for the appointment of a naval advisory board to serve during the construction and trial of these vessels. It was to be the duty of the board to advise and assist the secretary of the navy in all matters relative to the construction of these vessels. This board recommended that the government abandon the plan to build the larger of the two cruisers authorized by the act of August 5, 1882, because it was estimated that it would cost \$2,700,000, about \$1,000,000 more than the estimate made by the first board. It was also now recommended that instead of this first-class cruiser of 5873 tons there should be constructed three steel cruisers of about 2500 tons, a fast clipper and a torpedo boat. The board also recommended the completion of four double-turreted monitors begun in the early seventies.¹⁵⁰

Acting upon these recommendations, Congress in the act of March 3, 1883,¹⁵¹ appropriated \$1,000,000 for the completion of the four monitors but the next Congress withdrew the unexpended balance and also adopted the recommendation of the advisory board in the construction of four steel cruisers instead of two large ones as provided for in the act of August 5, 1882. Under this act a contract was now made with John Roach, and the *Chicago*, the *Boston*, the *Atlanta* and the *Dolphin* were built in his yard at Chester, Pa. This was accomplished only after a great deal of experimenting, for American shipbuilders had neither the knowledge nor the equipment necessary for steel shipbuilding when these were authorized. The long delay, the changing plans, and the growing cost aroused suspicions which put the naval advisory board on the defensive. In a report submitted to the House of February 12, 1885,¹⁵² the board explains that the additional cost has been reasonable, that the changes have been unavoidable on account of the lack of experience in this country in building such ships and that the government should pay for parts of ships that failed to stand the test in the trials because of our inexperience in the manufacture of steel. In submitting this report Sec-

¹⁴⁹ 47 Cong., sess. 1., ch. 391.

¹⁵⁰ Sen. Exec. Doc., vol. 3, no. 74, pp. 15 and 31, 47 Cong., sess. 2.

¹⁵¹ 47 Cong., sess. 2, ch. 97.

¹⁵² H. Exec. Doc. No. 220, vol. 28, 48 Cong., sess. 2.

retary of the Navy Chandler reminds Congress that "Patience, forbearance, and liberal treatment of the manufacturers are necessary in order to encourage them to undertake the development of the production in this country of steel plate and armor for naval vessels and ingots for heavy cannon." And, on the whole, this has been the policy of the government since then toward our shipbuilders when doing heavy work for the navy.

By the act of March 3, 1885,¹⁵³ Congress appropriated \$25,000, for testing American armor made of American material, and set aside nearly \$2,000,000 for the further increase of the navy by the addition of two cruisers and two gunboats. The cruisers were to be of not less than 3000 tons nor more than 5000 tons displacement and were to cost not more than \$1,100,000.

The act of August 5, 1882, also provided that no wooden vessel should be repaired when the cost of repair would exceed 30 per cent of the cost to build a new vessel of the same size and similar construction. In 1883 this limit at which such vessels might be repaired was made 20 per cent and since 1892¹⁵⁴ it has been the policy not to repair wooden vessels when the cost of repairs would exceed 10 per cent of the cost. This has helped to rid the navy of the obsolete wooden vessels and has been a factor in the development of steel shipbuilding.

Since the inauguration of this new naval policy, every Congress has made some addition to the navy and the appropriations for this purpose have grown from a few million dollars a year to upwards of thirty millions a year. By the act of August 3, 1886,¹⁵⁵ Congress provided for our first armored cruisers, the *Maine* and the *Texas*, one smaller cruiser and a first-class torpedo boat. The cruisers were to be of about 6000 tons displacement, to have a speed of at least sixteen knots. They were to be built of American steel. The armor was also to be of domestic manufacture, if it could be "obtained in a reasonable time at a reasonable price, and of the required quality." The engines, boilers and machinery were also to be of domestic manufacture but the shafting might be purchased abroad, if it could not be obtained here. This act also provided for the completion of the four unfinished double-turreted monitors which had been begun more

¹⁵³ 48 Cong., sess. 2, ch. 344.

¹⁵⁴ 50 Cong., sess. 1, ch. 206.

¹⁵⁵ 49 Cong., sess. 1, ch. 849.

than a decade ago. One of the new vessels was to be built in a navy yard, and at least one of the monitors was to be finished in a government yard. This act is important because it embodies the general policy of the government in building the navy. Practically all the acts authorizing additions to the navy down to the present time provide that the vessels shall be built under the terms stipulated in this act of August 3, 1886.

A few modifications have been made from time to time. Several new features appeared in the act passed at the next session of Congress,¹⁵⁶ authorizing the construction of two more steel cruisers. One of these was the offer of premiums for speed in excess of that required by the contract. Fifty thousand dollars was to be paid for every knot in excess of nineteen knots an hour that the vessels could show in the trials. Later acts have generally provided for similar speed premiums at the rate of \$50,000 for every quarter-knot in excess of the maximum speed required by the contract.¹⁵⁷ Another new provision in this act, which has since become a fixed feature of our policy, was that an attempt should be made to have one of the vessels built on the Pacific coast or the Gulf coast. But if this could not be done at a reasonable price then the President might designate the place where it should be done. Since 1896 the acts have generally provided that some of the ships were to be built on the Pacific coast on condition that they could be built at an additional cost not exceeding 4 per cent of the lowest bid accepted for similar work. By 1893 our experience in building for the navy had made us more confident and independent. Since then Congress has modified the conditions of the act of 1886 by requiring absolutely that all materials used in the constructions of naval vessels must be of domestic manufacture.

Some of the earlier acts provided that the government should build some of the vessels authorized in the navy yards if it could be done at a reasonable cost, but up to the close of the Spanish War the government built very few itself. There were then a total of one hundred and eighty-nine vessels in the navy including the fifty-five which were under construction. Of that number the government had built only a second-class battleship and an unarmored cruiser besides some of the oldest vessels in the navy. The twelve first-

¹⁵⁶ Act of March 3, 1887, 49 Cong., sess. 2, ch. 391.

¹⁵⁷ Act of September 7, 1888, 50 Cong., sess. 1, ch. 998.

class battleships had all been let by contract for construction in private establishments.

Cramps at Philadelphia built five of these, the *Alabama*, the *Indiana*, the *Iowa*, the *Massachusetts* and the new *Maine*. Four of them the *Illinois*, the *Kentucky*, the *Kearsarge*, and the *Missouri* were built by the Newport News Shipbuilding and Dry Dock Company. The remaining three, the *Ohio*, the *Oregon* and the *Wisconsin* were built by the Union Iron Works at San Francisco. Of the other vessels in the navy then, Cramps had built by far the most, but the other establishments on the Delaware at Philadelphia, Chester and Wilmington had also built a large number.¹⁵⁸

Since the Spanish War the demands on our shipbuilders for naval construction have been increased and constant. The war left us in possession of the Philippines and Porto Rico. Hawaii had just been acquired. The United States now became a world power with political and commercial interests over the seas, which have made increased naval strength imperative.

In the year of the Spanish War, the increase to the regular navy provided for an addition of three first-class battleships and a large number of smaller vessels having a total displacement of nearly sixty thousand tons. This increase was nearly twice as great as that of any other year since the inauguration of the new naval policy. Yet the following year, the total increase authorized amounted to a total displacement of 105,084 tons, including six vessels having a displacement of more than 13,600 tons each. The next year, 1900, the increase authorized also exceeded the 100,000 ton mark. Since then the addition for a single year has not been so great, still there has been a very substantial increase each year.¹⁵⁹ So that by 1909, the total number of vessels in the navy including those under construction was three hundred and sixty-two, of which number two hundred and ninety-five were fit for service.¹⁶⁰ The total expenditure of the government for the additions to the navy since 1883 had reached by June 30, 1909, the sum of \$367,273,407.68. By far the largest part of this was paid to a comparatively small number of private yards.

¹⁵⁸ See *Report of the secretary of the navy*, 55 Cong., Sess. 3, House Doc. No. 3, vol. xi, pp. 526-588, for a description of all the vessels in the navy and a table showing where they were built.

¹⁵⁹ *Navy Year Book*, 1909, pp. 650, 651.

¹⁶⁰ *Navy Year Book*, 1909, p. 659.

Besides this sum millions have been paid to private yards for repairs and other work.

The most marked advance in recent years has been in the size and character of the first-class battleships. The *Delaware* and the *North Dakota* were the first of the "dreadnaught" type having a displacement of 20,000 tons and a speed of twenty-one knots an hour. Since then there have been authorized the *Florida* and the *Utah* of nearly 22,000 tons and more recently the *Arkansas* and the *Wyoming* of 26,000 tons each. When it is remembered that our largest battleships in the Spanish War, the *Indiana*, the *Massachusetts*, and the *Oregon* were of only 10,288 tons displacement, the advance made since that time becomes apparent.

This country is now building naval vessels second to none in the world. The liberal patronage of the government has enabled some of our builders to develop their plants into establishments of the highest efficiency. These plants represent investments of large amounts of capital. The William Cramp & Sons Ship and Engine Building Company of Philadelphia reports an investment of \$16,000,000 capital, and the New York Shipbuilding Company of Camden, N. J., reports¹⁶¹ a capital of \$10,000,000 invested. These are the largest but there are in the country about a dozen other establishments, each with a capital of \$2,000,000 and upwards. Our largest and most efficient establishments certainly owe their existence to the naval policy of the government. Nor should the effect of this government patronage upon our steel industries be forgotten. Yet our steel manufacturers have been charging our builders \$10 a ton more for steel plate than they charged British builders.¹⁶²

But the most important result of our recent naval policy upon shipbuilding is that, along with the assemblage of capital and the physical equipment of our steel plants and shipyards, there has developed a skill in marine architecture and construction of the highest order. Our shipbuilders are ready to supply the ships if our legislators can devise a commercial policy that will create a demand for them.

¹⁶¹ Report of Commissioner of Navigation, 1910, p. 15.

¹⁶² Report of the Merchant Marine Commission, p. ix.

CONCLUSION

During the colonial period shipbuilding flourished because the colonists scattered along the Atlantic coast were a maritime people; their commerce, domestic as well as foreign, was carried on in ships; and there were at hand an adequate supply of timber and other materials for building and equipping vessels. In short shipbuilding flourished because it rested upon a sound economic basis. Political conditions were favorable to it, and especially did the British navigation acts protect colonial shipping and shipbuilding from all foreign competition.

After the Revolution these industries were unable to maintain themselves in spite of the fact that the purely economic conditions remained the same. They needed political protection to take the place of the navigation acts. The policy of commercial liberty soon gave way to a policy of national protection. Under the favorable economic conditions and the political protection now provided navigation and shipbuilding soon became so thoroughly established that reciprocity treaties, which abolished all political protection, did not materially affect the prosperity of these industries.

Soon after this change in government policy, there came changes in economic conditions which vitally affected both shipping and shipbuilding. England began to build steamships just as American builders had attained the highest perfection in sailing vessels. So great was the success of American shipbuilding then that its momentum carried it along through the record decade of the fifties. Then England began to build iron ships and now had all the advantages over the United States which this country had over England in building wooden sailing vessels. The invention of agricultural machinery and the extension of railroads opened the West to the most enterprising young men and called for a large share of American capital promising large returns. The Civil War did its destructive work. European subsidies strengthened our competitors. The inadequate American subsidies did not yield satisfactory returns. War taxes and "protective" tariffs burdened shipbuilding heavily.

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The building of ocean steamships in the United States came in response to the mail subsidies offered by the government. These payments were sufficient to establish steamship building thoroughly before the Civil War. The demands of the government upon pri-

vate yards for war vessels kept them busy during the war and left iron and steam shipbuilding in a high state of efficiency at the end of the war. The most important commercial steamships built in the decade following the war were for the subsidized Brazilian and Oriental mail services. The next great advance in building modern steamships for ocean commerce was under the provisions of the ocean mail act of 1891 and the registry act which led to the construction of the *St. Louis* and the *St. Paul*. Whatever might have been the result if the government had followed continuously the policy of granting liberal mail subsidies to ocean steamship lines, the fact remains that the only great advances ever made in building steamships for the foreign trade have come in response to the aid granted by Congress.

The repeal of the war taxes and the tariff concessions came too late. Foreign shipbuilding had been too securely established. The restriction on vessels constructed of free-list materials in the coasting trade has made the tariff concessions of little practical value.

The policy of granting American registry only to American-built ships was of unquestioned advantage until after the Civil War. For the period since then the wisdom of strict adherence to this policy may well be questioned. An unlimited "free ship" policy would certainly have proved disastrous to American shipbuilding, and it is sound policy to reserve the coastwise trade for ships of domestic build; but in the foreign trade it might have been of some advantage, before the development of the American steel industries, to have allowed the purchase of iron and steel steamships abroad. This might have aided our shipping and could not have injured shipbuilding. Indeed, it would probably have quickened its development. It is also to be regretted that the government did not adopt as a general policy the principle in the act authorizing the registry of the *New York* and the *Paris*, that of admitting high-class foreign-built steamships on condition of an equal tonnage of similar ships being built in this country. Any ships built in this country under such conditions would have been clear gain. But the adoption of such a policy now would not be sufficient inducement to yield very important results. Yet the United Fruit Company made a request of the last Congress of such a privilege, but it was refused. American shipbuilders could lose nothing if Congress were to allow foreign-built ships to be registered for the foreign trade for a period

of years and if this increased our foreign shipping, it might help them in the long run. The evidence before the American Merchant Marine Commission indicated strongly that Americans owning foreign fleets could not afford to operate them under the American flag. While it would have been a reasonable experiment to have relaxed our stringent registry policy somewhat, it would not have produced any really great results.

The two most important features of our government policy in aid of American shipbuilding are the reservation of the coastwise trade to American-built ships and the liberal patronage of the government in building the new navy in private yards. These form the legal foundation upon which the whole industry of American shipbuilding rests. It is due to these and especially the latter that this country possesses establishments with the equipment and skill capable of constructing vessels of the highest order.

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